a life’s work
local authorities, economic development and economic regeneration
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Preface

Local authorities are more than a collection of services and statutory functions. They exist, above all, to serve their communities, helping them to realise their aspirations through providing services, enabling the fulfilment of needs and enhancing the physical environment. The Government's proposals on community planning and consultation place a renewed emphasis on these overarching roles, as does the duty 'to promote the economic, social and environmental well-being' proposed in the Local Government White Paper, Modern Local Government: In Touch With The People (Ref. 1).

Carrying out this duty will call for different responses in different parts of England and Wales. In some areas, problems of economic, social and environmental dereliction combine to lock local communities into a vicious cycle of exclusion. Regeneration is a response to these problems, seeking to promote prosperity and an enhanced quality of life for citizens. Regeneration involves a wide range of activity, including physical development, housing improvement and social inclusion, all realised within the context of a coherent vision of an area’s future.

To survey this terrain within a single report, while maintaining focus, would be difficult, if not impossible. This report is about the economic aspects of regeneration and about economic development. Economic development and regeneration objectives range from promoting business growth to protecting and retaining retail centres. In some places, these activities are an element of wider regeneration strategy; in others, the challenge is one of striking a balance to ensure that growth is environmentally and socially sustainable, and that economic development today does not jeopardise the quality of life enjoyed by current or future citizens. In most areas, however, ensuring employment for local people is a primary and overarching objective. Employment is, therefore, the principal focus of this report, although issues are raised which have a wider resonance for regeneration policy.

Fieldwork for the study involved visits to 6 ‘clusters’ comprising 13 local authorities and their partner agencies, as well as shorter visits to 11 other local authorities, and a wide range of discussions with academics and practitioners. The study also drew on:

- a review of published research and statistics, including analysis of data available through the NOMIS database, administered by Durham University on behalf of the Office for National Statistics;
- a questionnaire on economic development spending, structures and outputs, sent to all local authorities in England and Wales in October 1998, to which 151 responses were received (37 per cent);
• research by Robertson Bell Associates (RBA), carried out between July and December 1998, involving discussions with 100 jobseekers, meetings with 50 jobseekers and the analysis of 50 completed personal diaries on barriers to employability; and
• research by Greater London Enterprise (GLE) on lessons learnt from published evaluations of ‘what works’ in economic regeneration.

The report makes recommendations for achieving best value in economic development and regeneration, and will be followed by the development of best value diagnostic tools for inspectors.

The study on which this report is based was carried out by Richard Brown and Denise Davies of the Audit Commission’s Public Services Research Directorate, with the assistance of Deborah Newlands and under the direction of Kate Flannery. The study benefited from the assistance of an advisory group (listed at Appendix 4) and a wide range of other experts and academics, in particular Tony Travers, and Professors Michael Parkinson and Bob Bennett. The conclusions of the report are, however, those of the Audit Commission alone.
Work and Regeneration

National unemployment levels are low, but industrial change has left some people and communities struggling with unemployment and social exclusion. Councils have a long history of involvement in economic development and economic regeneration, but need to work with a variety of partners and resources in order to foster sustainable economic development for local people.
...unemployment can precipitate a plunge into social and environmental deprivation

1. Work underpins modern life. It creates prosperity for individuals, communities and society. It provides us with the income that we need to secure our own and our families’ well-being, and it helps us to define who we are and the part that we play in society. Unemployment – one of the ‘five giants’ that the modern welfare state was established to tackle – has been a principal concern of government since the catastrophic slump of the early 1930s. Job loss deprives individuals of a great deal more than their livelihood, and its impact spreads to families: ‘unemployment raises the chance that a man will die in the next decade by about a third and, for those in middle age – with the biggest commitments – the chance doubles. Their wives will also face a higher chance of dying and so will their children and unborn babies’ (Ref. 2). For communities, unemployment can precipitate a plunge into a morass of social and environmental deprivation. Tackling unemployment and the associated economic exclusion is therefore a crucial element of regeneration. While employment is not the only objective of economic development and regeneration, it is a fundamental one. Unemployment is, therefore, the primary focus of this report.

Economic exclusion – people and places

2. In May 1999, 1,096,900 people in England and Wales were claiming unemployment benefits, mainly Jobseekers Allowance (JSA). These people represented 4.3 per cent of the workforce, the lowest unemployment rate recorded in the 1990s (Ref. 3). But, these figures do not show the full extent of worklessness – some people would like to work but are not counted in these figures.¹ Neither do they indicate the variation in the level of unemployment between both local authorities and travel-to-work areas (TTWAs), which reflect the areas within which workers commute (EXHIBIT 1).

3. Variations in unemployment can be very localised. For example, in 1991, 11 per cent of the Greater Manchester workforce was unemployed, but one-quarter of its wards had rates of either less than 6 per cent or more than 20 per cent (Ref. 4). This local dimension has grown in significance: in 1981, differences within (rather than between) individual regions accounted for 75 per cent of unemployment variation; in 1991, this rose to 91 per cent (Ref. 5). Some of the highest unemployment rates are recorded in inner city areas, such as Manchester, Knowsley and Hackney, but these are not exclusively urban problems. Many rural areas – especially, but not exclusively, those that used to rely on primary industries such as coal mining and fishing – also have very high rates. Within cities, unemployment and deprivation often exist side by side with prosperity and high productivity: inner London’s workplaces generate the highest gross domestic product (GDP) per head in the European Union (EU), but the area also contains five of the ten most deprived local authority districts in England (Refs. 6 and 7).

¹ Different definitions and ways of measuring unemployment are discussed in Appendix 1.
EXHIBIT 1
Claimant rate by TTWA, May 1999
Jobseeking claimant rates range from 1 to 11 per cent of the workforce.

Unemployment rates

- □ 0.9% to 2.9%
- □ 2.9% to 4.5%
- □ 4.5% to 6.3%
- □ 6.3% to 11.5%

Source: Employment Service records 1999 (Ref. 3)
Areas of high unemployment... often have high crime levels, low levels of educational attainment, poor health, and extensive physical dereliction.

4. Concentrations of unemployment may stem from a variety of factors. In some cases there may be few opportunities for work locally. In others the jobs may be there, but local people may lack the skills to compete for them, or may face other barriers. A rough indication of the varying nature of the problem can be gained by comparing the number of jobseekers with the number of vacancies in different areas. At one end of the scale there are two jobs for every jobseeker; at the other, more than eight jobseekers chase every job [EXHIBIT 2]. Most frequently, high unemployment results from a complex blend of mismatches between skills and vacancies, and between employment opportunities and unemployed people.

5. Not all unemployed people live in areas of high unemployment, but these areas can face particularly acute problems, as persistent unemployment exacerbates economic and social exclusion. Such areas often have high crime levels, low levels of educational attainment, poor health and extensive physical dereliction [BOX A]. These interacting problems make it harder for local businesses to prosper or new businesses to take root in the area. Local shops close, resulting in fewer jobs and less money circulating in the local economy. Those residents who remain (often living in poor quality social housing) have to travel further to earn and spend their money. Residents may also have to overcome prejudice among employers and financial institutions, as well as low self-confidence, health problems and inappropriate skills, when trying to find work or to set up their own businesses. As infrastructure and skills decline, it becomes ever harder to attract or retain enterprises.

EXHIBIT 2
Job shortages or skill mismatches?
Comparing the number of jobseekers with the number of vacancies reveals locally varying problems.

<table>
<thead>
<tr>
<th>Number of jobseekers per vacancy – May 1999</th>
</tr>
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<tbody>
<tr>
<td>10</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>2</td>
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</tbody>
</table>

Travel-to-work areas

- **100 TTWAs** – more vacancies than jobseekers: danger of labour shortage
- **33 TTWAs** – more than 2 jobseekers/vacancy: possible shortage of jobs
- **98 TTWAs** – 1–2 jobseekers/vacancy: balance/possibility of skills shortage

Note: TTWAs in England and Wales for which figures are available
Source: Audit Commission analysis of Employment Service records 1999 (Ref. 3)

1 The analysis made the assumption that one in three vacancies is notified through the Employment Service.
BOX A

The concentration of deprivation

Compared to the rest of England, the Social Exclusion Unit characterises the 44 most deprived English districts as having:

- nearly two-thirds more unemployment;
- almost one-and-a-half times the proportion of lone-parent households;
- one-and-a-half times the under-age pregnancy rate;
- almost one-third of children growing up in families on Income Support (compared with less than one-quarter in the rest of England);
- 37 per cent of 16 year olds without a single GCSE at grades A-C, against 30 per cent for the rest of England;
- more than twice as many nursery/primary schools and more than five times as many secondary schools on 'special measures';
- roughly one-quarter more adults with poor literacy or numeracy;
- mortality rates that are 30 per cent higher, adjusted for age and gender;
- levels of vacant housing that are one-and-a-half times those elsewhere; and
- two to three times the level of poor housing, vandalism and dereliction.

Source: Social Exclusion Unit 1998 (Ref. 8)

6. The economic elements of tackling or anticipating these problems include ensuring that local conditions can attract and retain employment opportunities and enabling local people to benefit – 'getting the place to work and getting the people to work', to use the Social Exclusion Unit's terminology (Ref. 8). If an area is to be regenerated, these problems need to be tackled together, as do other problems relating to the physical fabric and quality of life in deprived areas. If jobs are created, but local people lack the skills to fill them, local benefit is lost; if people who develop skills and employability 'move on and move out' to more attractive neighbourhoods, local deprivation will continue. What part can local authorities play in turning these neighbourhoods around and in preventing others from declining in the same way? On their own, they cannot deliver sustainable economic development and regeneration, but geography, democracy and role suggest that they do play an important part in promoting prosperity for their communities:

- The impact of economic change differs from area to area, especially when neighbourhoods become economically excluded. As the main sub-national tier of government, a local authority must play a crucial role in tackling local problems.
Local authorities are unique among local agencies in being democratically accountable. For many communities and local politicians, tackling unemployment and regenerating communities is the prime local objective.

Many local authority services (such as planning and housing) can have a decisive impact on the local economy, while others, such as some social services, have to pick up the pieces left by social and economic exclusion.

7. These factors make local authority involvement in economic development and regeneration not only natural, but inevitable. The style and extent of involvement varies, but the vast majority of councils deliver some economic development services, as well as trying to support economic development as a partnership and corporate objective. The roles that councils undertake, and the powers and resources that they bring to bear, are discussed later in this chapter. To understand the varying role that different local authorities undertake, however, it is necessary to examine the nature of the economic challenges that they are facing.

Patterns of economic change

8. In the past 30 years there have been profound changes in the structure of the economy, and in geographic and demographic patterns of employment. The change in industrial structure has generally been characterised as a shift from manufacturing to service industries. In 1972, 35 per cent of employees worked in manufacturing industry, accounting for nearly 7 million jobs; by 1996 this proportion had fallen to 18 per cent. Where a declining industry has been concentrated in a few areas, changes that are relatively insignificant nationally can hit individual communities very hard. In 1972, the shrinking mining industry employed only 340,000 people in England and Wales, less than 2 per cent of the working population. But, the final decline of the industry had a very concentrated geographical impact: in County Durham, for example, employment in mining fell from more than 23,000 people to fewer than 800 between 1972 and 1996.

9. It would be misleading, however, to see industrial and employment change as resulting from the decline of heavy industry alone; the means of production have also changed. Technology has transformed the way that goods and services are produced. In some cases, this can involve considerable job loss: Sheffield today produces almost as much steel as it ever did, but between 1981 and 1987 the industry lost around 17,000 jobs (Ref. 9). In other cases, the manner of employment has changed. One of the fastest growing industry categories is 'labour recruitment and the provision of personnel'. This increase resulted not from a change in product so much as from a change in the basis of employment; people who had been directly employed were now being hired through agencies. Similarly, the number of people in employment in the UK increased by
People who have lost their jobs may not be well equipped – in terms of skills and experience – to find employment in the new jobs being created.

around 7 per cent (1.8 million people) between 1993 and 1999, but the number of part-time jobs rose by 12 per cent and the number of full-time by 5 per cent (Ref. 10). In broad terms, full-time, permanent work in male-dominated industries (such as construction, mining and engineering) has been declining, while some of the largest growth areas have been part-time and temporary work in less gender-specific industries such as social work and accountancy. Therefore, even where new industries and employment opportunities have replaced declining ones, those who lost their jobs may not be well equipped – in terms of skills and experience – to find employment in the new jobs being created.

10. The course that economic change will take in the future is impossible to plot precisely, but its speed is unlikely to slacken. Business is becoming more mobile, as lower trade barriers and better information and communication technologies overcome the obstacles to relocation that geography once presented. In some cases, greater mobility can enable a firm’s activities to be concentrated at one site. For example, many financial services in the UK are now delivered through call centres: using telecommunications to deliver sales and support to customers from one single base can replace a network of high-street branches.

11. Some economists predict that the specialisation and concentration of employment could go a lot further, as monetary union, improved communications and the comparative advantage of particular locations in specific sectors lead to greater ‘clustering’ of industries within Europe and within states. In the US, this process is already relatively advanced: states such as Oregon and cities such as New York have developed clusters of firms involved in electrical measuring equipment and financial services respectively. Economists at Dresdner Kleinwort Benson have analysed current trade flows to show how Europe could follow a similar pattern. They predict that by 2010 the UK could develop clusters in finance and business services, telecommunications, pharmaceuticals and power-generating equipment (Ref. 11).

12. These changes present both opportunities and threats to people and communities across the country – from those that are currently flourishing to those that are still recovering from previous waves of change. For many industries, places and people, they offer opportunities, but they also threaten declining industries and locations with the risk of lagging still further behind. They also present challenges to policymakers at all levels of government: the rest of this chapter identifies the policies and partners involved in responding to these challenges.
UK government policy since 1945

11. Government policy has developed in response to the evolving configuration of economic problems and challenges. At the regional and local levels, policy has developed from the interventionist approach of 1950s regional policy, which used Industrial Development Certificates to channel development to particular regions, through the physical development approach of the 1980s, to the more comprehensive approach signalled by City Challenge and Single Regeneration Budget (SRB). The interaction of social, environmental and economic factors is now considered paramount, and there is greater consideration of the environmental and social sustainability of development. Sustainability – ensuring that development today does not prejudice quality of life or development in the future – often goes hand-in-hand with economic development. For example, the revitalisation of town centres may not only require environmental improvements as a starting point, but can also enhance and sustain the quality of the local environment, by protecting green-field sites from development. But, in other cases, economic development and environmental sustainability may have to be reconciled. Should swathes of countryside be given up to allow job creation, when previously used sites are available, either locally or further afield? In either case, achieving sustainable regeneration requires careful consideration of how economic development enables, or conflicts with, social and environmental regeneration [EXHIBIT 3].

EXHIBIT 3
Sustainable economic development
Economic development can promote, or conflict with, social and environmental regeneration.

Sources: Audit Commission
14. The election of the new Government in 1997 triggered a renewed focus on regeneration. In his first speech as Prime Minister, Tony Blair singled out concentrations of poverty and worklessness as 'the greatest challenge for any democratic government'. He identified three lessons from previous regeneration initiatives (Ref. 12), namely:
- that institutions had to take a long-term approach;
- that government had to work more coherently; and
- that interventions had to be based on rigorous evidence of what does and does not work.

Regeneration should, therefore, be a locally appropriate response to locally variable problems, which draws on lessons learned from previous initiatives, takes a long-term and comprehensive view and is planned and delivered by local authorities and other statutory agencies working in partnership with local communities. The importance of integrated approaches, local appropriateness and evaluation, and the value of preventative approaches, has also been emphasised in international research (Ref. 13).

**Agencies involved in economic development and regeneration**

15. Three English government departments and the National Assembly for Wales play leading roles in economic development and regeneration, and sponsor a wide — and changing — range of specialist agencies (EXHIBIT 4, overleaf). The key agencies involved in July 1999 were:
- the Department of the Environment, Transport and the Regions (DETR), which:
  - oversees regional development agencies (RDAs) and local government;
  - administers the Single Regeneration Budget (SRB), European Regional Development Fund (ERDF), New Deal for Communities (NDC) and other funding streams;
  - provides funding for the Groundwork network of environmental regeneration agencies; and
  - sponsors English Partnerships' central operation, now merged with the Commission for the New Towns;
- the Department for Education and Employment (DfEE), which:
  - is responsible for education and vocational training;
  - administers the European Social Fund (ESF);
  - runs the Employment Service (ES); and
  - shares responsibility for training and enterprise councils (TECs).

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1 The rich mixture of funds and initiatives involved in regeneration, from domestic and European sources, is discussed further in Appendix 2.
the Department of Trade and Industry (DTI), which:

- funds the Invest in Britain Bureau (IBB) and the regional development organisations (RDOs) (now merged into RDAs) that attract inward investment into Britain;
- administers Regional Selective Assistance (RSA) and elements of ERDF;
- funds and accredits Business Links (BL); and
- shares responsibility for TECs.

**EXHIBIT 4**

Local and regional economic development and regeneration agencies, July 1999

Many local agencies, apart from local authorities, are engaged in economic development.
Regional development agencies, the National Assembly for Wales and new arrangements for training and business support represent a major change.

16. The regional offices of these three English departments were merged into the government offices for the regions (GORs) in 1994. The offices now have representation from the Home Office (HO), the Department of Culture, Media and Sport (DCMS) and the Department of Health (DoH), which also play important roles in integrated regeneration. RDAs, established in April 1999, represent a major change in the configuration of agencies. Their role is to further economic development and regeneration, to promote business efficiency, investment, competitiveness and employment, to enhance the development of skills, and to contribute to the achievement of sustainable development in the United Kingdom (Ref. 14). To this end, all RDAs are required to produce a regional strategy (in consultation with regional chambers, which have now been formally established in all regions), and have taken over RDOs, the regional functions of EP and the Rural Development Commission, as well as administering government funding streams such as the SRB and playing a leading role in the administration of European Structural Funds.

17. The Government has also reviewed the provision of post-16 training and business support services in England. It proposes the establishment of two new agencies, which will replace TECs and build on the current Business Link arrangements. A national Learning and Skills Council will administer funding for post-16 vocational training through local branches, using the budgets currently administered by TECs and the Further Education Funding Council (FEFC) (Ref. 15). Government also proposes setting up a new Small Business Service to improve the coherence of small business support services, with a particular focus on assistance with regulation (Ref. 16).

18. The framework of institutions and policies for regeneration in Wales differed from the English model even before the establishment of the National Assembly for Wales in May 1999. The Welsh Development Agency (WDA), established in 1976, has now merged with the Development Board for Rural Wales and the Land Authority for Wales. The WDA's statutory purposes are to further the economic and social development of Wales, or any part of Wales. To achieve this aim, roles undertaken by the WDA include: providing, maintaining or safeguarding employment; promoting efficiency in business and international competitiveness; and improving the environment. The Assembly is also reviewing arrangements for post-16 training in Wales.

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1 The London Development Agency will be established in July 2000 and will be under the control of the newly elected mayor.

II The funding streams involved in Wales are also discussed in Appendix 2.
Local government’s role – service provider and strategic partner

19. Local authorities have a long history of involvement in economic development. Concerned about the local straw hat industry, Luton Council set up one of the first new industries programmes in 1899, and Derby set up a Development Committee in 1906 in response to a perceived overdependence on railway and other engineering. Before the Second World War, most welfare provision was funded through local rates, and so preventing or reversing economic decline was seen as financially important by local authorities (Ref. 17). But, as economic development has risen up the national political agenda, and the number of agencies, schemes and policies involved has multiplied, what distinctive role remains for local authorities?

20. Economic development and regeneration are objectives that transcend discrete budgets and agency functions, though achieving them can involve delivering specific services. The local authority role has two main aspects, although the emphasis on the different elements of the role legitimately varies from time to time and from place to place, depending on the economic context and the capacity of local partners [EXHIBIT 5]. In some places, the council is clearly the strategic leader; in others, its role is more restricted:

- **delivering economic development services**: local authorities have discretionary economic development powers which they use to deliver a range of services. These include helping existing and prospective employers to grow and helping local people to benefit from the employment opportunities that such development can offer; and

- **working across departments and agencies**: many councils lead local and sub-regional partnerships between agencies and communities to generate a vision for the regeneration of their areas, in order to ensure that the response to local economic change is coherent and based on good evidence, and that services are delivered effectively. Taking such a strategic approach also involves ensuring that mainstream service delivery, regulatory functions such as planning and development control, and the local authority’s use of its assets and resources, support, rather than hinder, the development of a thriving local economy.
EXHIBIT 5
Councill’s role in economic development and regeneration
Councils deliver economic development services, but also support and enable economic development.

**Economic development powers and resources**

21. To promote the economic development and regeneration of their areas, local authorities have some specific powers and a range of resources. The Local Government and Housing Act 1989 empowers local authorities to take ‘such steps as they may from time to time consider appropriate for promoting the economic development of their area’, subject to the annual preparation of an economic development plan, on which the local authority must consult with business and other local interests.
22. The 146 authorities that reported expenditure figures in response to an Audit Commission questionnaire recorded total expenditure of about £113 million on a range of economic development services.¹ Not surprisingly, the extent of expenditure varies considerably, ranging from £5.6 million to £7,500 per year, or between £24 and 9p per head of population (an average of £4.21). Spending varies between and within different areas of the country, different types of local authority and different levels of deprivation [EXHIBIT 6]. In many cases, it is augmented by funding drawn down from the SRB and other funding streams, and levered in from other partners. Estimated SRB spend in England in 1998/99 was £364 million, and it is expected to rise to more than £850 million by 2001/02. English local authorities are the accountable body in 62 per cent of partnerships in SRB Rounds 1 to 4, and councils play a major part in the administration of European Structural Funds (which have allocated £10 billion to the UK for 2000–06). In some authorities, preparing bids and managing the projects funded by regeneration initiatives accounts for 8 per cent of the economic development budget.

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1 The total return was 151, which represents 37 per cent of authorities, and included 49 single tier (London, metropolitan or unitary) authorities, 18 shire counties and 83 shire districts. The expenditure figures quoted refer to local authorities’ calculations of 1997/98 actual gross expenditure (excluding asset charges), on strategy development, bid preparation, training and employability, industrial and tourism marketing, town-centre management, business support and community economic development.
23. In many cases, the highest levels of spending are incurred by those authorities facing the most severe problems of deprivation: for example, 'prosperous' district councils (defined according to Office for National Statistics (ONS) family groups (Ref. 18)) on average spend one-half as much per head as the more deprived 'rural areas' grouping. But, the correlation is not universal. Some relatively prosperous authorities spend a significant amount on trying to maintain their prosperity, while authorities facing both deprivation and budget problems may be concentrating on delivering statutory services, rather than incurring discretionary expenditure.

24. The focus of economic regeneration spending also varies from authority to authority. The survey asked local authorities to categorise expenditure, using estimates where necessary. The results show some notable variations: upper-tier authorities spend more on business support, employability and training, while lower-tier authorities spend more on tourism promotion. The Welsh unitaries spend considerably less than their English counterparts on bidding for external funding, which probably reflects the different funding systems in place in Wales [EXHIBIT 7].

### EXHIBIT 7

Local authorities' economic development spending, 1997/98

The emphasis of spending varies between different types of local authority.

![Percentage of spending chart](chart.png)

**Source:** Audit Commission survey returns
Working across departments and with other agencies

25. Economic development services are only the tip of the regeneration iceberg. Mainstream services – such as housing, planning, transport, leisure, education and street cleaning – can play a crucial role in fostering or sustaining economic vitality for people and places. If they are badly delivered, they can deter or stifle it. Similarly, councils’ policy and practice in purchasing goods and services, and in managing their considerable assets, have an economic impact. So, in many authorities, economic development or regeneration is a paramount corporate objective to which every department is expected to make a contribution.

26. Nor are these objectives the exclusive concern of local government. To ensure that the resources of organisations – such as TECs, further education colleges, and voluntary and community groups – and the funds available from domestic and European sources secure best value, many local authorities now lead economic development or regeneration partnerships and have developed strategies for the regeneration of their area. Developing such strategies absorbs an average of 10 per cent of the economic development budget; in some authorities, developing a strategy is the sum total of economic development spending.

Global change, local challenge

27. Economic development and regeneration are multifaceted policy objectives, undertaken in the face of global, national and local economic change. While the objectives – employment and prosperity for local people and businesses – may be the same across England and Wales, the approaches that are needed to achieve them vary considerably. What is appropriate for a former mill town in Lancashire may differ dramatically from what is needed in a fading seaside resort. So, as RDAs finalise their first strategies, how is economic development being delivered locally? Are councils and their services promoting economic development that will benefit local people and local businesses? Do their services complement – or conflict with – those being delivered by other economic development agencies? Do local authorities clearly understand the problems that face their communities now, as well as those that may threaten them in the future, and have they learnt lessons about what works? How should the new duties to promote well-being and ensure best value be realised? These questions are addressed in Chapters 2 and 3.
Is Economic Development Working?

Meeting the needs of employers and jobseekers can help to ensure economic regeneration. But, despite some good practice, both these client groups face fragmentation and a duplication of services. There is also limited performance measurement to establish what works and, in many cases, an unclear rationale for local authority involvement.
Economic development and regeneration objectives reflect differing circumstances, problems and priorities. In some areas, the priority is the growth of particular industrial sectors; in others, maintaining the viability of retail centres may be crucial; elsewhere, the focus will be on creating new jobs, ensuring that growth is environmentally sustainable or tackling barriers to employability. The objectives may vary but they do have two sets of clients or beneficiaries in common – local employers and local people [EXHIBIT B]. It is through helping businesses and other employers that local authorities ensure opportunities for employment (and self-employment); by enabling local people to benefit from those opportunities, they ensure those businesses have a highly-skilled labour force, and local markets for their products. It is through both activities that they foster prosperity within the local economy, and improve the welfare of their citizens.

This chapter examines how councils help to create opportunities for employment, through supporting business and attracting inward investment, and how they try to help local people to benefit from those opportunities. Audit Commission fieldwork identified a number of innovative and effective approaches, but also a widespread pattern of fragmentation, duplication and poor information, leading to an incoherent service for clients, and interventions based on a weak or unclear rationale. This chapter focuses on the clients’ experiences of these services. Chapter 3 looks at the problems of co-ordination and analysis which underlie them.

EXHIBIT B

**The needs of employers and jobseekers**

Economic development requires support for both employers and jobseekers.

[Diagram showing the needs of employers and jobseekers related to employability and local benefit]

*Source: Audit Commission*
Helping employers

'Some get supported to death, while others get nothing at all'

30. For many local authorities, encouraging employers to move into the area, retaining those which are already there and enabling their businesses to grow, have been the traditional approaches to economic development and regeneration. Whether they operate in the private, public or not-for-profit sectors, employers have some common needs. These include:
   • suitable sites and premises;
   • adequate financial and other support; and
   • access to an appropriately skilled labour force, suppliers and markets for their products.

31. Local authorities manage and develop industrial and commercial premises, regenerate and package development sites and provide grants and advice to support business. To what extent do these services meet employers' needs—especially where the market is failing to meet them—and help ensure that they can develop within the local economy?

Providing sites and premises

32. Some 113 of the local authorities responding to the Audit Commission questionnaire have a portfolio of industrial and commercial premises, ranging from small shops or workshop units attached to housing estates, to substantial factory units. Local authorities with large property portfolios can generate substantial revenue from their holdings—18 authorities identified rental income greater than £1 million annually—and this money is often used to support and finance economic development activities.

33. Confronted by market failure—in areas blighted by industrial decline and unlikely to generate a good return for developers in the short or medium term—local authorities' involvement in providing industrial units is vital, in ensuring that the area can compete for inward investment and in offering a suitable range of premises to firms wishing to expand. However, where the private sector is an active provider, it is less clear whether the best interests of local residents or local businesses are served by tying up local authority capital in such property—around 25 per cent of respondents report an occupancy rate of less than 80 per cent for some units—or whether the capital could be put to better use elsewhere.

34. But do these premises really serve an economic development purpose? Many authorities argue that they do, especially where the private sector does not provide start-up or 'incubator' units and other managed workspace. If the aim is to develop small businesses within the local economy, however, what matters is not just occupancy, but what happens to companies leaving these premises. Do they leave because of growth, relocation or bankruptcy? Only around 44 per cent of authorities with industrial properties were able to say what percentage of firms leaving premises during the year were moving to new premises locally rather than leaving the area or closing down. In addition, few authorities visited undertook regular reviews of their property portfolio to check that it was still meeting local needs. Where authorities set the income derived from
The difficulties involved in compulsory purchase can maintain dereliction and stall economic development on ‘brownfield’ sites.

Industrial units against their economic development expenditure, the ‘income’ derived in this way could provide an incentive for keeping hold of units. Separating rental income and expenditure from the rest of economic development expenditure will enable authorities to make better decisions about whether to retain their portfolio.

35. Many local authorities are involved in reclamining derelict land. Through their statutory planning powers and in partnership with other agencies, they are major participants in regenerating and reclaiming development sites. Across the country, there are still tracts of ‘brownfield’ land ripe for regeneration: a recent survey identified 17,260 hectares of derelict land in England, of which about one-third was considered suitable for housing use [Ref. 19]. The problems entailed in bringing such land forward for industrial, leisure or housing use can be severe. Where ownership of derelict land is mixed, some owners wait for a rise in values before willingly selling land. Local authorities can use compulsory purchase orders (CPOs) to assemble packages of land constrained in this way, but CPOs can be costly and time-consuming, and require evidence of a specific and economically viable end-use for the site. Where land is constrained and also contaminated, however, it can be hard to identify such a specific use before assembly and reclamations have been completed. As more easily redeveloped land is used up, such constraints can prevent reclamations, thereby maintaining dereliction and stalling economic development on brownfield sites. Government is currently reviewing the CPO process, and this review should strike the right balance between efficiency in regeneration, best value for taxpayers and fairness for landowners.

36. Local authorities’ role as developers of employment sites and owners of industrial and commercial premises is likely to remain important, especially in areas of the country where the private sector is reluctant to get involved. But, the marked variations in provision and take-up of local authority premises, and the lack of robust review and monitoring arrangements, raise questions about the logic of extensive portfolios in many areas. Some local authorities have undertaken recent reviews of the supply of, and demand for, property locally, to inform their planning decisions and direct expenditure at the areas where it is most needed [CASE STUDY 1]. These should be undertaken more widely, and more frequently.

37. At a more basic level, a substantial number of authorities have developed databases of available sites and industrial premises, either belonging to the local authority or other local developers and land agents. The Audit Commission’s survey identified that 64 per cent of authorities manage such a database, and 19 per cent contribute to one. However, there was also some evidence of duplication: in 9 of the 13 shire counties with a database, there were districts which also claimed to manage one. It may be that these databases cover different types of site, but the figures do suggest that, in some cases, separate databases covering the same area are being managed by different tiers of local government. Such a pattern is likely to compound rather than resolve confusion for clients.
CASE STUDY 1

Reviewing provision to see whether need is being met

At the time of adopting its unitary development plan in 1995/96, Salford City Council realised that it needed better forward planning information about the supply of, and demand for, industrial and commercial premises. Development Services staff realised that there was information about proposed developments, but far less about what was already in place.

After a pilot, it undertook a survey of all industrial sites in the city. This survey included a visual assessment of units and their condition, and questionnaires to occupiers on the type of business they undertook, employment numbers, floor area and security issues. This survey, and a parallel survey of office accommodation, cost around £10,000; the cost being kept to a minimum by designing the survey in-house, undertaking it on a sample basis, and employing students on short-term contracts to undertake the work.

The surveys provided valuable intelligence about the nature of employment locally, demand for, and availability of, different types of site and about key areas where the authority needed to focus its effort. Security and the condition of the stock were major issues on some of the older estates, and there were also problems for some expanding businesses, which had occupied additional unconnected units, rather than a single site, as they had grown.

Subsequent analysis of the local land market also identified problems of a mismatch between the nature of the supply of development sites and the nature of demand: while businesses were seeking sites for owner occupation, local developers preferred to develop sites on a design, build and lease basis.

As a result of these appraisals and other related work, the Council has been able to refocus its own support for managed workspaces, and has been able to make a strong case when bidding for funding from external sources such as SRB and bringing forward larger sites with support from English Partnerships.
Financial and other support for businesses – navigating the maze

38. Many local authorities offer business support services, such as grants and advice on business development, but how well are these meeting the needs of local employers? Employers and small businesses face a maze of support services, under the umbrella of Business Link/Connect (which is primarily concerned with support for businesses with 10–200 employees), through enterprise agencies (which support smaller businesses), chambers of commerce or through local authorities’ own economic development units [EXHIBIT 9]. At the same time, training and personnel assistance can be provided through the TEC, the Employment Service, New Deal partnerships and other public, private and voluntary sector training agencies.

39. Given this degree of complexity, it cannot be surprising that local businesses, especially small- and medium-sized enterprises, do not always take full advantage of the support available. Indeed, this complexity (which has increased over the years) may well deter those businesses most in need of support. Business Link research reveals that 45 per cent of businesses with 5–200 employees are unlikely to use any business support (Ref. 20). Some local authorities spend up to £1.8 million (with an average of 79p per head of population) every year on business support. If their services are failing to reach their intended clients and maintaining this pattern of fragmentation, it will be hard to demonstrate that they are delivering best value. As one economic development officer noted, ‘some businesses get supported to death, while others get nothing at all’.

40. Monitoring and evaluation are also underdeveloped in many authorities. Around 74 per cent of the 130 authorities incurring expenditure on business support could report the number of businesses supported, but only 42 per cent had targets for jobs created and only one-half of these reported on the achievement of these targets. The problems associated with measuring and attributing ‘job creation’ are well known (and discussed further in the next chapter), but some authorities seem to regard them as insuperable rather than challenging.

41. Local authority support for community enterprise, which aims to generate economic development from the grass roots, also suffers from disjointed and unfocused provision. For example, in one fieldwork area, ethnic minority access to business support was hampered by local authority boundaries between two enterprise agencies’ catchment areas (one aimed at black businesses, the other at Asian businesses). This resulted in a perplexing situation for those businesses located on the ‘wrong’ side of the boundary, which were officially unable to access the support that would best meet their needs.
EXHIBIT 9

Business support in Braintree

The range of agencies can be bewildering, especially to smaller businesses.

42. Around 55 per cent of authorities responding to the questionnaire spent money on community economic development and 30 per cent had dedicated staff. The range of activities financed in this way varies. Schemes such as credit unions and local exchange and trading schemes help to provide financial and exchange services to excluded people, and to retain economic capacity within the community. In addition, many authorities provide specialist support to businesses run by people from ethnic minorities, and grant schemes which enable community businesses to access finance from banks, which might otherwise be reluctant to lend.

1 This map was developed before a programme of rationalisation – see paragraph 88, Case Study 9.

27
Does community economic development help to tackle particular needs, or simply perpetuate them?

43. There is a question, however, as to whether local authority support helps to tackle particular needs, or simply perpetuates them. Fieldwork identified a lack of clarity about the objectives of community economic development, and some cases where businesses were supported because they qualified for assistance, even if their business had little chance of viability. Such schemes are less likely to be sustainable in the long term, or to generate enough momentum to move the client towards the mainstream economy and away from grant dependency. A recent report shows that 40 per cent of community-based credit unions in England and Wales had failed to attain even the most basic level of sustainability and suggests that many credit unions have been set up on a model that focuses ‘more on local community activity, and responding to the personal, educational and social needs of volunteers, than ... on establishing viable community businesses able to offer quality financial services to the people that need those services’ (Ref. 21).

44. The development of the new Small Business Service, with a wider remit than Business Link, should help to clarify business support arrangements locally. In the meantime, local authorities should consider whether their own services add value in business support – for example, by filling gaps in statutory provision – and consider ways of rationalisation. This might involve delegation of business support to a single lead agency [CASE STUDY 2], or delivering services under a common brand or from shared premises. The latter approach will be discussed further in Chapter 3.

CASE STUDY 2

Business support in Kent

Following the development of the Kent Prospects Economic Strategy, Kent County Council and Kent TEC identified ‘a need for clarity about the respective roles and responsibilities of the two organisations...to remove any duplication and to demonstrate cost effectiveness’.

The two organisations examined 22 roles where there was the potential for overlap, and in each case either identified the lead (with the other in a supporting role in some cases), or identified the function as a partnership project. It was agreed, for example, that the Council would lead strategy development, regeneration, early years provision, transport, site development and investment, and tourism and rural strategy, while the TEC would take the lead on lobbying on behalf of business, education/business partnerships and sectoral development.

As a result of this agreement, which was finalised in February 1998, the Council has stopped funding enterprise agencies and providing new ‘soft’ loans and advice to businesses, though it is keeping existing arrangements under review.
Attracting inward investment

45. Attracting new investment and retaining existing employment are two sides of the same coin – two ways that local agencies can seek to foster employment opportunities. As outlined in the previous chapter, geographical barriers to mobility are being broken down, and almost every developing business in one area is a potential inward investor for another. Moreover, many of the needs of inward investors and of existing businesses are identical – site and labour availability are paramount concerns, closely followed by the connected issues of infrastructure and access to customers and suppliers [EXHIBIT 10].

EXHIBIT 10
Inward investors' reasons for choosing main site
Infrastructure, financial support, labour supply, skills and quality of life are the critical factors.

Source: PA Cambridge Economic Consultants (PACEC) 1995 (Ref. 22)\(^1\)

\(^1\) The PACEC research included interviews with a sample of 30 manufacturing inward investors, of whom 7 were located in Wales, Scotland and Northern Ireland, 10 in the North East, North West and Yorkshire and Humberside, and the remaining 13 in the Midlands, South and East.
46. The main role for local authorities is ensuring that these needs are met and, in doing so, making their localities as 'competitive' as possible. But, there is also a tradition of promotional work at a local as well as at regional and national levels. More than 85 per cent of respondents to the Audit Commission's questionnaire undertake inward investment promotion. This activity costs an average of 40p per head, and more than £1.50 in some authorities [EXHIBIT 11]. In many cases, local authorities make contributions (from less than £1,000 to more than £150,000 annually) to local partnerships or other agencies, such as RDOs (now absorbed into RDAs).

47. The impact of this spending is hard to quantify, especially when questions are being raised about the sustainability of, and value for money delivered by, mobile investment projects (as illustrated by the semiconductor plants, attracted to South Wales and North-East England by packages of national, regional and local support, which closed in 1998). Local authorities often measure the number of enquiries they receive from firms seeking to locate or expand within their area, but only around one-half could identify which firms subsequently moved into the area, or how many jobs were created. Even where new jobs are created, the arrival of a new employer may have a damaging impact on others locally, especially in sectors as competitive as retail.

EXHIBIT 11
Expenditure on business promotion 1997/98
The extent of expenditure varies considerably.

£/head

£3.00
£2.50
£2.00
£1.50
£1.00
£0.50
£0

Source: Audit Commission survey returns
It is also hard to distinguish the impact of a local authority's direct expenditure on marketing and promotion from the inherent competitiveness of local sites, services and infrastructure, or from the work of other agencies such as the former RDOs and the IBB. It is questionable how much value local authorities can add to the efforts of these agencies, especially when both county and district councils are involved, as is the case in some areas. A recent survey suggests that local authorities' use of cheap, but relatively ineffective, techniques (such as advertising in trade journals) reflects a need to be seen to be 'doing something' to promote the area, even when the 'something' in question is likely to have little impact, given the minimal size of the local budget [EXHIBIT 12, overleaf]. During Audit Commission fieldwork, local authorities argued that their own efforts to attract inward investment were necessary to counterbalance the RDO's perceived bias towards certain areas. With RDAs, the National Assembly for Wales and regional chambers in place, local authorities should work at a regional level to address these concerns, by making sure that inward investment operates on a level playing field and according to agreed protocols.

Helping jobseekers

'If they can't fix a fence, they're not going to help me get a job'

How easily does business growth or inward investment translate into benefit to local communities? Research on business and labour market geographies suggests that the benefits of business growth are likely to extend well beyond a single district's boundaries: people pay scant attention to administrative boundaries when commuting and benefits to suppliers may spread over a far wider area (Ref. 24 and 25). While declining industry may have a very strong effect on local communities, the opportunities offered by expanding or incoming industries are often more widely distributed. For example, manufacturing decline in Greater London had a major localised effect on male unemployment, while expansion in service sector employment had comparatively little local effect (Ref. 26).
EXHIBIT 12
Local authority promotional activities and their perceived effectiveness

Some of the most commonly used techniques were those perceived by officers to be least effective.

Source: Ernst and Young 1996 (Ref. 23)
50. This is not to say that the creation of local opportunity for employment is not important, but the increasing mobility of labour means that the link between growth in local opportunity and benefit for local people cannot be assumed. In many cases local unemployed people may be the least able to compete for the new jobs. Comparing figures from the Labour Force Survey (LFS) (identifying employment according to residence) and the Census of Employment/Annual Employment Survey (CoE/AES) (identifying employment according to workplace) suggests that, although growth in jobs in a local authority may lead to more local residents being in employment, this is not necessarily the case. Sometimes the opposite is true, when factors such as the accessibility of transport, skills gaps and other barriers undermine local people’s capacity to benefit [EXHIBIT 13].

EXHIBIT 13

Changes in employment numbers and numbers of residents employed 1993-97

Rises in the number of jobs in an area were not always accompanied by rises in the number of local residents employed.

Net change 1993-97

Source: Audit Commission analysis of Census of Employment/Annual Employment Survey and Labour Force Survey (Refs. 9 and 10)
Making the link between employment opportunity and jobseeker benefit requires an understanding of the needs of jobseekers and the barriers they face.

Meeting the needs of jobseekers

51. Making the link between employment opportunity and jobseeker benefit requires an understanding of the needs of jobseekers and the barriers they face. Basic needs include the training, skills and experience to take advantage of employment opportunities as they arise. As Exhibit 8 illustrated, jobseekers may also need advice and support to help them to find and apply for jobs, backed up by affordable transport to work and support in their home life, so that, for example, childcare responsibilities do not prove a barrier to employment. The obstacles these needs pose can be formidable, as reflected in Audit Commission fieldwork and research among jobseekers [EXHIBIT 14], as well as in evidence recently presented to Parliament [Ref. 27]. Skills do matter, but so do a wide range of other factors.

The cost associated with work

52. For many unemployed people, especially those with childcare responsibilities, the cost of travelling to work, paying for childcare and losing benefits can make work only marginally, if at all, advantageous in comparison with staying out of work. This ‘poverty trap’ meant that, in 1997/98, for 130,000 people, their income out of work was 90 per cent of what their income in work would have been (once taxes and loss of benefit were taken into account), though the Government estimates that the 1998 budget will reduce their number to 20,000 [Ref. 28]. If the financial benefits of work are so minimal, the incentives to seek it are reduced, and this can lead to the growing detachment of potential workers from the labour market.

The cost of jobsearch

53. Jobseeking and the transition to work can be costly. For many, especially those living in rural areas, the cost and availability of public transport can make attending job centres and interviews both difficult and expensive. This is reflected both in Audit Commission research and in evidence given to the House of Commons Social Security Committee, which found that 40 per cent of unemployed jobseekers experienced problems with the cost of jobseeking, while 47 per cent struggled with ‘one-off’ expenses, such as buying tools or special clothes for work [Ref. 27].

Discrimination

54. Many jobseekers (35 per cent of the Audit Commission’s sample) believe they face discrimination because they are too old. Others suffer from ‘postcode discrimination’, whereby jobseekers living in more deprived areas are stigmatised by their neighbourhoods’ reputations. In some cases, these neighbourhoods are also those with a high proportion of people from ethnic minorities, so discrimination against a neighbourhood can also – whether inadvertently or not – amount to racial discrimination. When jobseekers live and socialise in neighbourhoods where few people are in work, the tendency of some employers to recruit through ‘word-of-mouth’ amplifies their exclusion: recent research indicates that a substantial minority of unemployed people who do find work, do so through their friends [Ref. 29].
EXHIBIT 14
Barriers to employability as identified by jobseekers
It is not just lack of skills that hampers employability.

Source: RBA research for the Audit Commission 1998 (48 diary returns)

1 The sample included only active jobseekers, so issues such as childcare are likely to be under-represented in comparison with the wider group of workless people, as will psychological and motivational barriers which prevent people from active jobseeking.
Lack of support and training

55. There is often a lack of practical support to help jobseekers in their search and a lack of training that helps them into work. In some cases, employability requires basic attributes, such as belief that employment is a possibility, self-confidence and customer care skills, as well as specific vocational training. Many jobseekers are unhappy about the vocational training available. For example, one of those interviewed on behalf of the Audit Commission had hoped to train in office administration, but was sent on a training course for security guards, because only that course had current vacancies.

56. So how do local authorities help unemployed jobseekers to overcome these barriers, as well as internalised barriers such as low levels of motivation, in order to look for work? Some of the problems are not capable of resolution at this level. For example, tackling the poverty trap is largely a matter for national fiscal and benefits policy (though local authorities can support it by improving access to benefits which are available to people in work). Others – such as transport accessibility – can be addressed by core services delivered by local authorities and other local agencies. Local authorities play a significant role in areas such as training and support for jobseeking, though this diminished when further education colleges were removed from local government control in 1989 and TECs were established in 1991. Some have retained a training function, however, or spend resources on improving employability through pre-vocational training and promoting access to work and training. Around two-thirds of respondents to the Audit Commission survey spent money on training and employability; the average annual spend was £1.18 per head of population, with some spending as much as £16 per head. This money is often matched by further funding from the ESF and other sources.
57. In particular, local authorities argue for a role in providing tailored training to those who fall through the net of statutory provision, such as those not registered as jobseekers, and use their adult education services to improve the basic skills of people with special training needs — for example, those whose first language is not English. Employability schemes include what are known as ‘intermediate labour markets’ (ILMs), which provide temporary work experience and training on socially useful projects in return for a wage; and local labour schemes, which promote local employment to companies moving into an area. These are complementary to specific training and Employment Service initiatives, though in many cases they have been brought under the banner of the New Deals for unemployed people. In both training provision and employability assistance there is some correlation between the amount spent and the levels of unemployment locally, though the relationship is not strong.

58. How well do these services work for those they are intended to benefit? Research on behalf of the Audit Commission found that some are well regarded, but few jobseekers know about the range of support available, and that neither local authorities nor other agencies are promoting access as well as they could [BOX B].

BOX B

Perspectives on support for jobseekers

Some support was well regarded...

"[Usually] you...go into dingy offices with little support and are made to feel you are some kind of social outcast when you've got no job. I think the Council treat you better and provide decent facilities with a good environment for looking into things and trying to find work." Jobseeker commenting on Barnsley MBC's Resource Centres

...but many jobseekers found accessibility difficult, or were sceptical about the Council's role.

'I went to the Council office in A and they directed me to the Job Centre in B [approximately 8 miles away]. When I went into the B Job Centre they told me there are facilities in the library in A. So I went all the way back to A and visited the library. In a corner of the library there is information for those seeking employment and training opportunities...and a direct telephone link to the Job Centre so you can get further information, if required."

'The main contact I have had with the Council is over the housing. We had a fence that blew away and we asked them to fix it and it's been six months now. You think, "if they can't fix a fence when they're my landlord, they're not going to be able to help me get a job"."

Source: RBA research for the Audit Commission 1998
Many jobseekers are confronted by a complex system that they have to navigate with little information on who provides what help from where. Many jobseekers are confronted by a complex system that they have to navigate with little information on who provides what help from where. The increasing volume of research on unemployment and the barriers facing jobseekers emphasises that training is only a part of what is needed to help unemployed people to get into work. Where unemployment has become rooted in successive generations, specific vocational training is the last stage of transition to employability. There is evidence of good practice in helping local people to develop employment skills, and in helping some of the most disadvantaged to surmount the barriers they face. In many cases, however, finding the right support is itself a struggle, given the confusing network of providers and schemes.

**BOX C**

Further perspectives on training and accessibility

Most jobseekers regarded the Job Centre as the first port of call when seeking advice and information about employment and training opportunities. Some interviewees were surprised to hear that the local authority provided services, and pointed out that there seemed to be little information or co-ordination between agencies:

“They obviously don’t talk to each other, because the Council said they did do some training courses and the Job Centre said they didn’t.”

_The Council should know better, they should provide access to what’s available in the area._

“I visited the Council here last week and asked the receptionist what advice, support and information the Council provides for jobseekers. The receptionist didn’t know whether the Council did provide any assistance to people seeking work. In the end she told me to visit the Job Centre.”

“Before coming to this meeting today, I assumed the Council did nothing for unemployed people like me. If you’re saying they do do stuff, then I’m not really happy about it ’cause I didn’t know.”

“You say there are all these things going on but we didn’t know. There’s nothing in the Job Centre about this, and that’s where we all go. If you don’t put it in the Job Centre or the Job Centre people don’t know what’s going on, it’s not getting through to us.”

_Sources: RBA research for the Audit Commission 1998_.

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1 Government programmes such as the New Deal (which was praised by some of the jobseekers interviewed) and the Single Work Related Gateway (ONE) are designed to remedy some of these problems, as well as the perceived inflexibility of some training programmes.
The difficulties faced by unemployed people in trying to improve their chances of finding work and enjoy the benefits of employment are compounded by this fragmented pattern of service delivery. As with support to employers, local authorities can use their networks to improve the quality, coherence and accessibility of service provision. In some cases, authorities have tried to map out the training available locally against forecast growth areas, identifying gaps and duplication, and championing quality and access for local people [CASE STUDY 3]. Others have worked within New Deal and other partnerships to develop innovative welfare-to-work schemes, often based on the intermediate labour market model.

CASE STUDY 3

Reviewing training provision in Newham Council

Newham Council's Access to Jobs Strategy identified four key barriers to employment for local residents. Two of these — ethnicity and disability — related to specific groups of unemployed people. The other two were the poverty trap (especially in relation to the cost and availability of childcare) and a lack of appropriate and accessible training.

A mapping exercise undertaken by the Council and TEC identified about 30 different voluntary sector training providers, as well as the college of further education, the sixth form college, the local university and the community education service. The Access to Jobs Strategy Partnership (facilitated by the Council's Regeneration and Partnerships Division) is now working to rationalise, and improve the quality and relevance of training provision in three main areas:

- developing quality standards for training provision covering all aspects of training from recruitment to progression;
- facilitating a group where local employers could meet with trainers to discuss how well training was meeting their needs; and
- employing a consultant to map anticipated employment growth areas against training, to identify where there were gaps in, or duplication of, provision.

The Council is also seeking to improve access to training and other employability support for local people. Its website now carries full information about training (which can be searched by provider, by location or by skill requirements), and advice on childcare and benefits. It is also developing an approach whereby housing officers talk to tenants about what training and support is available, and are given laptops which can display the information from the authority's website. This is currently being piloted with two housing officers but will be extended if it is shown to be successful.
61. Other authorities have sought to make sure that inward investment does benefit local communities as much as possible. One local partnership has set up a team involving local authorities, TECs and the Employment Service to help meet the needs of inward investors in terms of recruitment and training. This involved visiting isolated communities suffering from long-term unemployment to discuss the opportunities for employment and training, but problems of co-ordination persist. In these same areas, the lack of affordable and accessible public transport marginalises even those local people who could have gained employment in this way, especially the long-term unemployed, because few of them have access to private transport.

62. In other cases, helping people to enter employment can be a matter of a relatively small-scale job subsidy, or of small one-off grants to help with expenses such as clothing or tools. By linking training with specific employment, local authorities can ensure that training is relevant to employers and jobseekers alike. In the Moss Side/Hulme area of Manchester, the local economic agency runs a programme of pre-recruitment training, tailored to the needs of specific local employers who guarantee, in return, that people who complete the training will at least be offered an interview [CASE STUDY 4].

Conclusion

63. The effectiveness of services for jobseekers and employers is undermined by duplication and fragmented provision. Despite some innovative good practice, monitoring and evaluation are generally limited, and the rationale for local authorities' involvement in delivering services is not always clear. Local authorities do have a role, but service provision needs to be informed by a broader view of economic development and regeneration, backed up by good evidence – of need and effectiveness – and integrated with the services and activities of other agencies. The extent to which local authorities adopt such an approach is discussed Chapter 3.

CASE STUDY 4

Tailored training in Moss Side/Hulme

Joblink is a comprehensive training and employability initiative run by the Moss Side and Hulme Economic Agency. Its components include job search training; a grant for one-off costs such as tools, clothing etc; a wage subsidy (for those not covered by other schemes such as the New Deal); and tailored recruitment and training, in return for a guaranteed interview.

The scheme costs around £300,000 per year, and helped over 200 local people into jobs in 1997/98. One major success was in helping a supermarket locating in the area to recruit locally, as a result of which 90 per cent of staff were drawn from the local area.
Working Together for Economic Regeneration

Economic regeneration and economic development are not single services, but tailored responses to local problems delivered in partnership. Some councils have become catalysts for, and leaders of, powerful strategic partnerships. In many areas, however, strategic analysis is limited, overlapping partnerships hide persistent problems, and economic development is considered as an isolated activity rather than a corporate objective.
64. Economic development and economic regeneration are not statutory services delivered to a national template, but local responses to local problems. Such responses need to be informed by evidence about the nature of problems and the appropriateness of different solutions, and to be integrated between different agencies and different local authority functions. This chapter examines the quality of strategic thinking and partnership working between agencies and within local authorities, and highlights good practice and ways in which local authorities and partnerships can increase their impact. It finds that:

- the strategic analysis which underpins activity is often characterised by woolly thinking and poor use of evidence;
- the growing number of local and sub-regional partnerships risks compounding fragmentation without effectively involving key stakeholders; and
- many partnerships could do much more to link economic development services to their clients and to integrate regeneration as a corporate objective.

65. The challenges faced by local economies cannot always be resolved easily or quickly. Economic regeneration involves an element of risk, of trying out innovative schemes to see if they work. But this should not preclude evidence-based identification of problems and choice of interventions. Neglecting such analysis is quixotic rather than strategic, and risks wasting public money. Furthermore, thinking in the long term, setting clear objectives, and having a clear rationale for activity are key elements of best value. Some authorities have a very clear idea about what they are trying to achieve and how, but for many authorities:

- economic development and regeneration is planned on a very short-term basis with a meagre evidence base; and
- targets are often unmeasurable and vague, and performance measurement is neglected.
Short-term responses based on meagre evidence

66. Local authorities wishing to spend money on economic development are required by the 1989 Local Government and Housing Act to draw up an annual plan, setting out what expenditure they plan to incur and what this is designed to achieve. Given the long-term and entrenched nature of many economic problems, this requirement should be regarded as a bare minimum. But, fewer than one-half of the authorities responding to the Audit Commission's questionnaire said their area was also covered by a medium-term strategy (one lasting three to five years). Around one-quarter said they did not have any strategy, and 20 per cent said their 'strategy' only covered one or two years [EXHIBIT 15]. Some authorities take an entirely reactive approach to economic development, spending only a few thousand pounds on answering queries about, for example, site availability. For these, an annual plan involving minimal consultation may be sufficient. But, where millions of pounds of taxpayers' money are being spent on long-term strategic projects, such a planning framework can only be described as short-sighted. In general, the duration of strategies and the extent of spending corresponded – those authorities with one-year strategies spent an average of £330,000 annually compared to just over £1 million for authorities with five-year strategies – but there were exceptions.

EXHIBIT 15
Length of economic development and regeneration strategies 1997/98

Fewer than one-half of authorities have a medium-term strategy.

Source: Audit Commission analysis of questionnaire returns
67. Further examination of a sample of plans and strategies showed wide variation in the nature of the analysis carried out [EXHIBIT 16], but most had considered at least some employment and unemployment data, and a large proportion had analysed this by industry sector. Such data are valuable in reflecting the problems left by previous waves of economic change, but they do not reflect the threats posed – or the opportunities offered – by changes yet to come. Indicators focusing on possible economic futures were far more sporadically analysed: only a few authorities had addressed such issues as current and projected skills profiles, representation of growth sectors and the prospects for local business. Furthermore, only about one-half published an analysis of patterns of unemployment and poverty at ward level or below. Given the very localised nature of social and economic exclusion, this suggests that many local authorities are missing a crucial opportunity to set priorities and to focus activity on those communities facing the greatest problems.

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**EXHIBIT 16**

**Data used in economic development strategies and plans**

Employment profiles and unemployment rates were more commonly analysed than other data.

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**Source:** Audit Commission analysis of 17 economic development plans and strategies
The way forward – a better informed and longer-term perspective

Without sound evidence of problems and a long-term perspective, authorities will not be able to generate a clear vision for the future of their communities, and will be ‘shooting in the dark’ when promoting economic regeneration. By contrast, leading authorities devote considerable resources to developing a rigorous strategy, with a long-term perspective and mechanisms for measuring performance and the achievement of targets [CASE STUDY 5].

CASE STUDY 5

Kent Prospects Economic Strategy

Kent County Council and Kent TEC began developing their joint strategy in late 1993, with the aim of securing a longer-term view of the area’s economic prospects, better targeting and evaluation and clarification of roles and responsibilities. The strategy, Kent Prospects, was launched in May 1996, and sets priorities and objectives for the period 1996-2006.

Much of the analysis involved in the strategy development was undertaken by external consultants, who were paid around £146,500 by the council and the TEC between 1994 and 1996. The consultants identified 12 key growth sectors for the local economy, and developed three different scenarios for Kent’s growth: a low forecast, a base forecast and a target forecast. The base forecast was designed to show how Kent’s economy would develop if national and regional forecasts applied to the county and the low forecast what would happen if Kent under-performed, while the target forecast reflected the impact that partners hoped the strategy would have. Indicators were forecast according to the three scenarios. For example, the base scenario forecast the unemployment rate as 8.5 per cent and GDP per head as £10,016 by 2006, while the low forecast predicted 9.8 per cent and £9,862 and the target forecast predicted 5.4 per cent and £11,060.

The progress of the strategy is monitored through an annual conference of the Kent Economic Forum, a private-sector led partnership which involves all the local agencies involved in economic development. This conference is informed by the independent preparation of an annual competitiveness report, which examines change in the local economy, and the extent to which the strategy’s targets (and those of its partner strategy, Kent Learning) are being achieved.

Officers at the local authority feel that the strategy and review process represent good value for money, as they have enabled the authority to focus its efforts better, to improve co-ordination between different services and to have clear targets against which they can measure their impact.
Not all local authorities and local partnerships will need strategies covering a ten-year period, but one year is not really long enough for extensive strategic interventions. Treasury guidelines recommend the evaluation of regeneration employment programmes on a two- to five-year basis (Ref. 30). To marry spending commitments to this time frame and the longer-term perspective required by best value, local authorities should take advantage of longer-term financial settlements in order to plan economic regeneration spending for the medium term. Their analysis should start with an understanding of the local economic context, asking some key questions about the local economy, the problems it currently faces, and those which may lie in the future [BOX D].

**BOX D**

**Key questions for economic situation analysis**

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>DATA AND AVAILABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the unemployment rates locally? What proportion are long-term</td>
<td>Employment Service records and</td>
</tr>
<tr>
<td>unemployed? How concentrated is unemployment, in spatial or social</td>
<td>Labour Force Survey (LFS); local</td>
</tr>
<tr>
<td>groupings? How high are rates of economic inactivity? Can any</td>
<td>knowledge/census/health records</td>
</tr>
<tr>
<td>particular barriers to employability be identified in particular areas</td>
<td></td>
</tr>
<tr>
<td>or among particular communities?</td>
<td></td>
</tr>
<tr>
<td>In which sectors and geographical areas have job growth and job</td>
<td>Annual Employment Survey (AES) and LFS</td>
</tr>
<tr>
<td>shrinkage been concentrated? Where is growth or decline anticipated?</td>
<td></td>
</tr>
<tr>
<td>What is the rate of start-up, survival and failure of small businesses?</td>
<td>VAT registration records and annual employment survey</td>
</tr>
<tr>
<td>Do any sectors stand out?</td>
<td></td>
</tr>
<tr>
<td>What is the nature of the skills and experience of the local labour</td>
<td>TEC records and analysis</td>
</tr>
<tr>
<td>force, both in work and out of work? How well do these meet current and</td>
<td></td>
</tr>
<tr>
<td>projected demand?</td>
<td></td>
</tr>
<tr>
<td>Do any communities suffer particularly from problems of geographical</td>
<td>Local knowledge and anti-poverty reviews</td>
</tr>
<tr>
<td>isolation or financial marginalisation?</td>
<td></td>
</tr>
<tr>
<td>What barriers impede growth among local businesses? Can they be</td>
<td>Chamber of commerce surveys; local crime statistics</td>
</tr>
<tr>
<td>tackled locally?</td>
<td></td>
</tr>
<tr>
<td>What is the availability of land and premises locally? Do these offer</td>
<td>Local Authority database of sites, and</td>
</tr>
<tr>
<td>local firms the opportunity to expand within the area? Are there any</td>
<td>information from local firms</td>
</tr>
<tr>
<td>barriers to development of key sites?</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
...analysis which reflects variation between different local and social communities will help to ensure a rational selection of priorities...

70. In many cases these data will already be available locally (for example, from census officers) or from sources such as the NOMIS database run by Durham University. Geographies and timescales vary, however, and even the best statistics cannot reflect the full complexity of local problems, challenges and opportunities. Viral issues such as barriers to employability within particular communities, which may be psychological as much as physical, are rarely captured through statistical analysis. Therefore, statistical analysis should be informed by the experience and judgement of local partners and by local research on factors such as the perceptions of residents about an area’s prospects. Local businesses can be reluctant to volunteer commercial information but confidential surveys, combined with national data sources, should provide a source of information for most authorities.

71. Analysis should also reflect the variation between different localities and different communities. This is not always easy: local authorities have identified problems with the availability of up-to-date local level data and also question the extent to which units such as wards and enumeration districts actually reflect local communities. But, analysis which reflects variation between different local and social communities will help to ensure a rational selection of priorities – based on need and potential. This is particularly important given the political nature of economic development and regeneration. Where priorities are unclear or the basis for their selection contentious, there can be pressure to ‘spread the jam too thinly’ across an authority. In these cases, a clear, politically agreed and objective basis for setting priorities will help to ensure political commitment [CASE STUDY 6, overleaf].

72. Authorities should also look ahead. It would be a brave, even foolhardy, economic development officer who claimed to be able to see exactly how the local economy would develop within the next decade – change is one of the few constants of economics. In the early nineteenth century, for example, William Cobbett was decrying the poverty and depopulation of rural Surrey and Hampshire, compared with the booming industrial cities of the Midlands and North (Ref. 31). Trying to anticipate the rich blend of social, technological and economic forces affecting local economies may be speculative, but it can be worthwhile if backed up by the best available information and intelligence. Local authorities can consider, for example, the strengths and weaknesses of their industrial base. As communications improve, certain industries become more vulnerable to international competition. To the customer of financial services sold over the telephone or the internet, it makes little difference whether the service is being provided from Dartmouth or Dublin, from Derby or Delhi. The key considerations for the company providing the service will be the competitiveness of the local labour force (in terms of price and quality); the quality of the local infrastructure (especially telecommunications infrastructure); and the financial and fiscal incentives offered by local and national government. An analysis of local employers
- to see which are tied to the local area by the need to be close to customers, suppliers and technology development, and which are more mobile - might help to identify both anticipated growth areas and clusters and possible problems ahead.

CASE STUDY 6

Regeneration mapping in Hackney

The London Borough of Hackney is involved in a wide range of regeneration schemes, including New Deal for Communities, Comprehensive Estates Initiative and SRB. In order to improve regeneration activity targeting, the council has developed a database of its housing estates and enumeration districts, and has calculated each estate's Index of Local Conditions/Deprivation score. These are combined with information on existing regeneration schemes, and with data on crime, health, unemployment, educational attainment and public access to facilities, to generate a comprehensive picture of deprivation and social exclusion in the borough.

This database, when accessed through geographical information systems technology, allows officers and councillors to visualise deprivation patterns and target future plans more effectively. It has, for example, enabled the borough to map those housing estates that have high levels of deprivation but are yet to benefit from regeneration funding.

The Next Steps:
Identifying Local Authority estates with high deprivation scores not yet targeted by regeneration programmes.

73. No two economies face exactly the same problems, and there is no universal route to economic development. Clear analysis of problems in the local economy, showing how they are concentrated by area or social grouping and how they are likely to develop in the future, will bring possible solutions into sharper focus, and will at least ensure that the interventions selected are aimed at the right problems. Breaking down and analysing the nature of problems will help to clarify this [EXHIBIT 17].

### Exhibit 17

**Problems, causes and solutions**

There is no panacea for economic challenges, but clear analysis can bring solutions into focus.

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>CAUSES</th>
<th>POSSIBLE SOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inaccessible support and finance</td>
<td>Local investment funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Joint ventures with banks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training support (eg, for community businesses)</td>
<td></td>
</tr>
<tr>
<td>Lack of appropriate sites and units</td>
<td>Developing specialist support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing starter units or subsidies for star-ups</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensuring balanced portfolio of premises to enable growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing units to fill gaps in provision</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Declaration of derelict sites</td>
<td></td>
</tr>
<tr>
<td>Poor image and dereliction</td>
<td>Land use planning to ensure supply of sites</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industrial promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Getting mainstream services right</td>
<td></td>
</tr>
<tr>
<td>Isolation from markets and suppliers</td>
<td>Lobbying for better transport infrastructure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supply chain development and local purchasing</td>
<td></td>
</tr>
<tr>
<td>Stagnation and declining industry</td>
<td>Identify 'best chance' development clusters and focus support</td>
<td></td>
</tr>
<tr>
<td>Skills mismatch</td>
<td>Specialised or tailored training</td>
<td></td>
</tr>
<tr>
<td>Poor access to training</td>
<td>Outreach to improve take-up</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intermediate labour markets, etc.</td>
<td></td>
</tr>
<tr>
<td>Barriers to employability</td>
<td>Work with employers/local labour agreements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grants and support for jobseekers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community transport</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support nurseries and other provision</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
Vague targets and scanty performance measurement

74. Most strategies included targets of some kind, but often these were too vague or broad to be used to assess performance [BOX E]. Such targets, however well meaning, do not focus effort or offer clear benchmarks against which progress can be measured. Forces beyond a council’s control can prevent the achievement of specific targets relating to outcomes such as small business growth and employment levels, but the point of a robust strategy is to influence such forces and such indicators. If local authorities and their partners are not intending to have an impact on unemployment locally, then why spend money on economic development and regeneration in the first place?

BOX E

Economic development targets

Clear targets offer better information about success...

‘To provide a sufficient range and quality of business development sites to accommodate at least 10,000 additional jobs.’ (County Durham)

‘By the end of five years, the County should have unemployment and economic activity rates equal to or better than the national average and an economic structure with at least an average representation of growth sectors. Participation and attainment in further education and training should at least match national levels.’ (County Durham)

...than those which are incapable of measurement.

‘...intends to support and develop a vigorous and diversified local economy and to get people into jobs.’

‘...to provide efficient and effective services and enhance the quality of life for all people in the area, and provide a heritage for future generations.’

‘...greater opportunities to live more fulfilled lives and reap greater economic rewards for their efforts.’

‘...support the New Deal.’

‘...undertake research into growth sectors.’

‘...co-ordinate the approach of business support agencies.’

Source: Audit Commission fieldwork
75. Without clear targets and the systems to track progress towards them, it is hard to learn from 'what works' or to demonstrate that best value is being delivered. Learning from what works should not be impossible, given the long history of some regeneration initiatives, and the resources devoted to evaluating recent programmes such as City Challenge and the SRB. But, the judgement of overall effectiveness – 'What works where, and why?' – is still opaque.

76. The difficulties of evaluating economic development and regeneration are well documented. They are discussed in, for example, Assessing the Impact of Urban Policy (Ref. 32) and HM Treasury's evaluation guidelines (Ref. 30). The basic difficulty lies in measuring outcomes, and arises when one tries to make links between cause and effect – between the inputs and outputs (resources and services) of agencies, and the impacts achieved on local economies. Training provision might be highly efficient, but it is hard to say it is effective unless it is actually enabling people to find relevant work. Several factors conspire to make the link problematic – these are outlined below using job creation as an example:

- **Economic context differs widely.** Some areas are dealing with environmental, social and economic dereliction which will take years or even decades to tackle; in others the problems are comparatively minor. Creating jobs in the first context will involve tackling significantly different challenges.

- **Economic development and regeneration do not occur in a vacuum.** All economies are subject to national and global economic and industrial change, and a wide range of public sector agencies are involved in regeneration. In these circumstances, it can be hard to identify:
  - What is added by public sector intervention:
    - jobs might have been created even without public money being spent (the 'deadweight' problem);
    - creating jobs in one place may be merely a matter of moving them from another or may have an adverse effect on other local employers (the 'displacement' problem); or
    - creating jobs may, on the other hand, yield further benefits through increased local purchases made by employers and individuals (the 'linkage' and 'multiplier' effects).
  - What is added by a particular agency within the public sector – a company may be helped by the RDA's overseas promotion programme, the site prepared by the local authority, the training package offered by the TEC, the competitiveness of the local labour force, the incentives available from the DTI and the support offered through Business Link/Connect.
The way forward – improving evaluation

77. Local authorities could do more – working with their partners – to ensure that the value of interventions is measured in a consistent and coherent manner, but Government should take a lead in rationalising the systems involved. A better framework would not only allow the efficiency and effectiveness of individual solutions to be assessed (where their effect can be isolated), but would also tease out the long-term impact of a partnership’s activities. One way of approaching this has been developed in Rotherham, where researchers tried to assess the value added by a local partnership [CASE STUDY 7].

CASE STUDY 7

Evaluating partnership impact in South Yorkshire

Researchers from Sheffield Hallam University have developed a model for evaluating the additional impact of partnerships in terms of increases in local employment and GDP. The approach relies on a mixture of interviews following up specific interventions and calculations using data from national and local sources, and has been piloted in Rotherham Economic Partnership (REP) and two other areas.

The calculation of ‘partnership impact’ involves several discrete calculations, illustrated here with reference to business support:

1. **partnership addtionality** through interviews which identify whether interventions would have taken place had REP not existed;
2. **economic addtionality**, by asking the clients of business support, in confidence, what would have happened without assistance;
3. **displacement**, using estimates for different types of business; for example, manufactures is estimated as having nil displacement (ie, not leading to loss of business elsewhere locally), while retail is estimated as having displacement of 80 per cent;
4. **linkage**, which identifies what extra volume of purchases is required to support each additional job, and the proportion of these purchases made in the local economy, using nationally derived estimates for different industries or, in the case of REP, data from local surveys, and
5. **multiplier**, which identifies the degree of increased local income that is recycled in the local economy, using local information on salary rates and national data on spending patterns.

The overall partnership impact is derived by calculating, for any partnership additional project, the economic addtionality, less displacement factors, plus linkage and multiplier factors. The additional growth in employment generated by linkage and multiplier effects will itself have linkage or multiplier effects, though these quickly become insignificant.

While the model is rather complex, the researchers believe that it could evaluate and compare new approaches with reasonable accuracy, provided that the systems for data collection and the relevant local survey data were available from the outset.

Source: Hunt and Owen 1998 (Ref. 13)
78. This type of approach can help to indicate the effectiveness of particular interventions, but it cannot capture the wider impact of an economic strategy, which includes a range of specialist and mainstream programmes. Evaluating this would involve four key elements, which will enable the efficiency of interventions to be judged in the light of changes in the local economy, and their effect on local people and communities [BOX F].

79. The most important success factors for such an evaluation framework are commitment within partnerships and integration into the core of economic development. Contexts and problems do differ markedly, of course, but there are very few areas facing such singular problems that there is no possibility of learning from good practice elsewhere. If treated carefully, comparisons of the pace and effects of economic change – and of strategies developed to influence the process – would enable better learning from other authorities and avoid the same ‘innovative’ solutions being discovered time and again in different areas. To avoid adding to the already considerable burden of monitoring progress in different regeneration schemes, such a system needs to be portable between agencies and schemes, and to replace rather than supplement the diverse systems currently in use. Comparators and indicators are discussed further in Appendix 3.

---

**BOX F**

Elements of an architecture of economic regeneration evaluation

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>REASON</th>
<th>FREQUENCY</th>
<th>SAMPLE INDICATORS</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnerships and strategy</td>
<td>To judge, from the outset, whether a partnership is likely to be effective</td>
<td>Intermittent</td>
<td>Checklists of evidence, clarity of objectives, partners’ own views, impact on partners’ behaviour</td>
<td>Other partnerships/ national standards</td>
</tr>
<tr>
<td>Input measurement</td>
<td>To compare focus and level of spending with peer partnerships</td>
<td>Annual</td>
<td>Spending per head on training, business support etc</td>
<td>Other agencies, and comparable partnerships</td>
</tr>
<tr>
<td>Output measurement</td>
<td>To compare (cost) efficiency of delivery within and between similar partnerships</td>
<td>Medium term (three-five years)</td>
<td>Take-up of schemes, cost per participant, cost per sustained employment outcome</td>
<td>Other agencies, and comparable partnerships</td>
</tr>
<tr>
<td>Impact assessment</td>
<td>To compare the effectiveness of partnerships with their peers</td>
<td>Five years plus</td>
<td>Differential ratio of change in unemployment, benefit claims, etc</td>
<td>Comparable partnerships</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
How many partnerships does it take to change an economy?

80. Economic development and economic regeneration are not tasks that sit with a single agency, so partnership between local authorities, other agencies and the communities for which they are working is essential. 'Partnership' is a term which covers a wide range of relationships and organisational forms, from informal strategic groupings to limited companies carrying out specific functions [BOX G]. Indeed, the same partnership may carry out different functions at different times, or may itself have sub-partnerships of different types.

81. Partnership working has developed considerably during the 1990s, but do partnerships promote genuine partnership? The minimum requirement for economic development spending is consultation: the 1989 Local Government and Housing Act specifies that local authorities should consult with bodies and people 'representative of commercial or industrial undertakings in their area'. Many councils go a long way beyond this [EXHIBIT 18]. TECs and chambers of trade and commerce were the most commonly involved consultees, though longer-term strategies tended to display more extensive involvement. Nonetheless, there was scepticism among many consultees interviewed during fieldwork about the notice paid to their comments. One chamber of commerce chief executive observed that, if he receives a 'draft' strategy with requests for comments to be returned within a week, he sees no point in responding as there appears to be little scope for him to have any influence over the final product.

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**BOX G**

**Different types of 'partnership'**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>SUB-TYPE</th>
<th>TIME FRAME</th>
<th>CONTROL OVER FUNDS</th>
<th>MEMBERS ACCOUNTABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Strategic (eg, new commitment to regeneration, regional and sub-regional partnerships)</td>
<td>Ongoing</td>
<td>Influence on mainstream</td>
<td>Through own organisations</td>
</tr>
<tr>
<td></td>
<td>Fund based (eg, SRB)</td>
<td>Time limited</td>
<td>Advising on fund allocation (or administering if set up as company)</td>
<td>Independent (or to company)</td>
</tr>
<tr>
<td>Operational</td>
<td>Co-location (eg, one-stop business support)</td>
<td>Ongoing</td>
<td>Budgets discrete but functions merged</td>
<td>Through own organisations</td>
</tr>
<tr>
<td></td>
<td>Consortium or merger (eg, sub-regional promotion company)</td>
<td>Ongoing</td>
<td>Funds administered through eg, limited company</td>
<td>To company</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
EXHIBIT 18
Involvement of stakeholders in local authorities’ economic plans and strategies
A wide range of agencies is involved, especially in longer-term strategies.

Source: Audit Commission survey returns

82. An increasing number of strategies are branded as shared strategies, developed and implemented by local or sub-regional economic partnerships, although in a recent Cambridge University/LGA survey, only 55 per cent of authorities with a recent economic development strategy said that they named formal partners in that strategy (Ref. 34). Strategic partnerships involve a variety of configurations of agencies, and have proven a strong cement for integrated working [BOX II, overleaf].
Strategic economic partnerships at a local or sub-regional level

The County Durham Economic Development Partnership was set up in 1992 following a realisation that 42 organisations were involved in economic development within the county. The Partnership is led by the County Council, and includes representatives of the district councils, further and higher education, the Chamber of Commerce, the Employment Service, the TEC and local development agencies. Progress on the partnership’s six-year strategy is monitored by a steering group meeting every two months, and the partnership also has four thematic working groups which meet every three months.

Manchester City Pride was formed in 1993 in response to the Government’s invitation to Manchester, London and Birmingham to develop long-term strategies for their cities’ futures. The partnership covers the City of Manchester, and parts of the City of Salford, Tameside and Trafford, and includes the local TEC (which covers the four authorities) and representatives from the private and voluntary sectors. Under the auspices of the City Pride partnership, the four local authorities have adopted a joint approach to inward investment and business support. In the view of private sector representatives, the partnership has also been crucial in overcoming reserves of mistrust between public and private sectors in the city, thereby enabling a concerted response to events like the IRA bomb in June 1996.

Thames Gateway London Partnership was established in 1996 to co-ordinate regeneration of the Thames Corridor (the stretch of the river flowing east from the City of London). Its membership includes 12 LAs and 2 TECs. The Partnership is an unincorporated association, funded by subscriptions. It employs six staff, who assist in developing individual initiatives, lobbying on behalf of the sub-region and monitoring the progress of the partnership’s strategy, and also operates through officer task groups.

North Wales Economic Forum comprises the six unitary authorities in North Wales, as well as the sub-region’s TEC, Employment Service, TUC, CBI, Tourist Board, further and higher education representatives, Chamber of Commerce and the Welsh Development Agency. The Forum was set up in 1996 and now meets three to four times a year, with a number of time-limited task groups looking at specific issues such as telecommunications infrastructure and the energy industry, business and rural issues and transportation.

Rotherham Economic Partnership was set up in 1994 with the local Chamber of Commerce Training and Enterprise (CCTE) and Rotherham Borough Council taking the lead. Its board includes representatives of local employers, and is chaired by a local employer. It employs a full-time partnership manager (whose costs are shared between the two lead agencies), and draws up and submits bids for SRB and other external funding.

Source: Audit Commission fieldwork
In some areas, so many partnerships have been set up that the waters are again muddied.

83. In some areas, however, so many of these structures have been set up that the waters are again muddied, and it becomes unclear how overlapping partnerships and strategies actually fit together. In one fieldwork area, 40 local economic development partnerships were identified within 4 metropolitan authorities, with a further 3 at a sub-regional level (one of which included 7 topic groups). In another, a single authority was involved in 21 regeneration partnerships. The danger is that the escalating number of partnerships (now supplemented at a regional level) will further confuse regeneration by duplicating each other's functions, and exacerbating 'partnership fatigue' among their members.

84. It is also questionable whether the beneficiaries of economic regeneration - local employers and people living and working in a particular area - are properly involved. Government guidance suggests that involving communities improves decision-making through better identification of problems and priorities, mobilises community resources and enhances the sustainability of regeneration projects (Ref. 35). Many local authority officers interviewed had tried to engage these communities, but found it profoundly difficult. The explanation is not so much a lack of interest or commitment on either side, but rather that involvement tends to be on the council's terms rather than those of its partners. For example:

• The style of working is often the local authority's. A common complaint is that formal partnerships worked largely on the model of a council committee meeting, with a councillor in the chair, extensive background papers, and a very formal approach. This is a style of working with which small businesses and community representatives often felt uncomfortable. In the words of one business representative, 'They speak a different language from us: it's bureaucratic alphabet soup' (Ref. 36). Local authorities do have certain constraints such as accountability, but they should strive to engage more on communities' terms as well as building capacity to make their own processes more accessible.

• The scope of involvement, and the options for changing strategies and determining priorities, are not always clear in advance. For both business and residential communities, there is a suspicion that options had been foreclosed, with the real decisions taken in another forum. At times, this suspicion appears to be justified: 'the first I knew about it was when I was phoned up and asked to have my photo taken for the anti-poverty strategy document (Ref. 37). The other side of the coin is the view expressed by some businesses - that the questions asked were too open-ended, and that some options needed to be developed and presented to enable focused discussion.
The arrival of RDAs and the National Assembly for Wales offers the opportunity to look afresh at partnerships

- The time demands of involvement can be excessive. Many employers are simply unable to give an open-ended commitment to lengthy meetings, especially during normal working hours. Such practices risk excluding people from small- and medium-sized businesses, who are often unable to spare the time.
- Some time-limited partnerships (such as those involved in SRB programmes) have suffered from the lack of a clear exit strategy, which identifies how the benefits generated by partnership working can be prolonged, and how the assets and liabilities acquired through, for example, physical development activities, can be managed into the future.

The way forward – getting partnership right

85. If business and residential communities are to be properly involved in regeneration programmes, and able to bring their knowledge, abilities and resources to bear on partnerships’ objectives, then partnerships must become more flexible. This means being more able to accommodate those whose ways of working are not necessarily the same as local authorities’ own, at the same time as being clear about the role(s) of the partnership and of its members. The arrival of RDAs and the National Assembly for Wales gives local authorities the opportunity to take the lead in looking afresh at the range of partnerships with which they are involved, and makes such a review all the more urgent. RDAs’ first strategies are due to be completed by October 1999. Guidance on these specifically identifies local authorities as key partners for regional strategies (Ref. 14). As these are finalised, local authorities should undertake a rigorous review of the different levels of partnership and strategy locally. They should consider the range of partnerships from at least three perspectives: place (what area should partnerships cover?), purpose (what issues should they address?) and people (who should be involved and how?).

86. The geographic boundaries of local economies are hard to discern, and different elements may operate at different levels. Travel-to-work areas, for example, generally cover an area larger than a single district, but smaller than a county. But, infrastructure and supply chain links may operate at a far higher – regional or sub-regional – level, while tackling the barriers to employment within particular communities may be a neighbourhood activity. Therefore, a collection of several districts may choose to tackle issues relating to strategic sites, inward investment, sector development and training provision, while sub-local partnerships in regeneration priority areas take a bottom-up approach to the management and designation of regeneration funds [Exhibit 19]. The configuration will vary from place to place – what matters is a clear, common understanding of the way in which the local economy works, and the areas over which different patterns of commuting and exchange

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1 The Audit Commission management paper, A Fruitful Partnership, gives further guidance on partnership working (Ref. 38).
operate. This will ensure that distinctive roles for the different partnerships are clearly agreed, to avoid duplication of scope, but with enough shared membership and communication to ensure coherence. Identifying key economic sub-regions, and developing such a hierarchy of strategies and partnerships, will be a priority task for RDAs and their partners in regional chambers.

EXHIBIT 19
Working out economic geographies
Partnerships need a clear understanding of the different levels of the local economy, and which level is best for which intervention.

Source: Audit Commission
...there has been a growth in professional training in partnership skills...

87. A second issue is that of purpose. Is the partnership solely concerned with economic issues, or should issues of health inequality, poor environment, crime and community safety also be addressed? Answering such questions can help determine the choice of partners, such as the police and health services, and the degree of their involvement [CASE STUDY 8].

88. Local authorities should also review the way in which their partnerships operate to ensure that are fit for purpose, and that they engage effectively with the right partners. Partnership working can be difficult, and recently there has been a growth in professional training in partnership skills, including training on the roles and responsibilities of partners in different types of partnership. Councils will usually be best equipped to provide secretariat and research support to strategic partnerships, but they should ensure that this does not lead them to monopolise agendas. To avoid this, some councils spread responsibility for chairing individual working groups across other agencies and stakeholders. For example, Durham County Council led the development of the county strategy, but ran only the working group on physical development issues. The other groups -- on image, human resource issues and business support -- were run by the University, the TEC and the Chamber of Commerce respectively. In Rotherham, on the other hand, the independence of the Rotherham Economic Partnership was ensured by

CASE STUDY 8

Widening the scope of partnership in Croydon

The London Borough of Croydon set up the Croydon Economic Development Forum in 1993, in response to the recession of the early 1990s. The Forum consisted of partners from the private sector working with the council to increase investment and ensure employment for local people.

The Forum had some successes such as setting up a marketing company for Croydon and appointing a town centre manager. But the partners felt that the Forum had to widen its scope, become more independent of the council and to act less as a consultative body and more as a strategic leader. In June 1997, the Forum was relaunched as Croydon Partnership. The Partnership involves a wider range of partners including the Health Authority and, most recently, the Metropolitan Police Service and local Voluntary Services Council, and is currently overseeing the development of a comprehensive regeneration strategy as one of the LGA's New Commitment pathfinders.

The Partnership currently remains an unincorporated association, though the possibility of incorporation as a company limited by guarantee has been considered. At the moment, however, the Partnership does not administer any funds itself so liability is not a problem for members, and its unincorporated status allows flexibility in the Partnership's growth and development.
the appointment of an independent manager. Local authorities should ensure that their partnerships exhibit the clarity of scope and the flexibility of operation necessary to involve partners effectively; should rationalise partnerships to avoid duplication [CASE STUDY 9]; and should allow enough time for partnerships to develop, to forestall suspicions of tokenism [CASE STUDY 10].

**CASE STUDY 9**

**Braintree’s Business Council**

Braintree District Council identified economic development duplication at two levels, operationally and strategically. At the same time as moving towards a co-location of Business Link, the Council’s Economic Development Unit and local enterprise agencies, the Council sought to rationalise private sector involvement in economic development through the establishment of a business council, following a model in Braintree’s Danish twin town.

The Council had identified a high level of duplication in business involvement in various partnerships, which resulted in poor levels of engagement with local businesses. The Business Council was designed to address this problem by giving a coherent and strong voice to local businesses. The Business Council holds business forums each year, which are open to all local businesses, and also holds an awayday to discuss and develop the Council’s economic development plan and review progress against it.

Richard Cook, private sector chair of the Business Council, considers that it has enabled far better business involvement in local economic development: business forums are regularly attended by 80 to 100 businesses and disputes over, for example, rationalisation of the local industrial portfolio, have been resolved through the mechanism of the Business Council.

The process of integration is now being taken a stage further, with a proposal to merge the separate Business Link and enterprise agencies into one. The new company is likely to provide economic development services to the District Council on a contract basis.

**CASE STUDY 10**

**The Acorn Centre, Grimethorpe**

The decline of the mining industry in South Yorkshire led to the loss of around 4,000 jobs in and around Grimethorpe. The decision by Barnsley MBC to convert the former regional offices of the National Coal Board into a community resource centre faced an uphill struggle: the building was associated with the NCB, and the community’s confidence in public agencies was at a low ebb.

The manager of the centre sought to build trust by setting up temporary premises in the town eight months before work started on renovating the NCB offices. His team offered services such as welfare rights advice that were valued by people locally, and this led to greater community involvement with the Acorn Centre, which aims to replace the social and educational provision which vanished with the pit closures and to enhance the employability of local people.
Joint working to link services and people

89. Partnerships and strategies are means to an end, not ends in themselves. The test of such arrangements – which can be expensive and time-consuming – is whether they generate more coherent services that provide better value to the local community. This requires:

- better co-ordination of different agencies’ activities;
- new links between services, opportunities and people; and
- ensuring that economic development and regeneration becomes a corporate objective within local authorities and other agencies.

90. In all three areas, some local authorities have been active and innovative, but there is also a good deal of unfulfilled potential. This failure to achieve better integration, coherence and accessibility often has its roots in territorialism among partners. In local authorities with a strong political attachment to economic development and regeneration, councillors may be wary of ‘letting services go’. A concern for proper accountability is very important, but when such attitudes maintain fragmentation, they do not serve the interests of local people or local employers. In other cases, territorialism may spring from rivalry between the staff working for different institutions. In both cases, its flames are fanned by ill-informed strategies and partnerships that exist more on paper than they do in reality. The decision as to how services can best be integrated and connected to their users is necessarily a local one: the degree of trust between agencies and their capacity to take a leadership role will vary from place to place. But, the current picture of fragmentation and duplication helps no one and cannot be sustained. What matters ultimately is not, for example, whether services are delivered under the banner of a local authority or of Business Link/Connect, but whether they are achieving their objectives as efficiently as possible. Local authorities should work within partnerships towards enhancing this efficiency. This section of the report identifies some of the good practice, as well as the opportunities which are still being missed by many authorities.

Better co-ordination between agencies – knitting together the ‘patchwork quilt’

91. The previous chapter identified a fragmented pattern of provision that comes close to replicating the patchwork quilt identified in the 1990 Audit Commission report on this subject, Urban Regeneration and Economic Development: The Local Government Dimension (Ref. 39). Many authorities have worked with their partners to try to overcome this fragmentation: a common approach is the establishment of development agencies, providing a single point of access to local authority, TEC, chamber of commerce and Business Link services. These enable both streamlining of services and a more businesslike approach when dealing with the private sector. For example, Braintree’s map of business support services was prepared by the authority itself before such a co-location (see Exhibit 9, p27 and Case Study 9, p61). The exact mix of services co-located – and the degree of organisational change involved – vary.
some cases, a limited company has been set up, employing staff itself and contracting with its parent organisations. In other cases, employment arrangements remain unchanged, and the focus has been on operating from the same building or under a common brand rather than on formal merger. Alternatively, integration can involve co-operation between agencies with complementary roles operating in a project team.

[CASE STUDY 11]

**CASE STUDY 11**

**Inward investment in the Dearne Valley**

The Dearne Valley Partnership (DVP) is an unincorporated partnership between Barnsley, Doncaster and Rotherham Borough Councils, and other local partners. It was set up in 1991 to administer the first inter-authority City Challenge programme which focused on regenerating the Dearne Valley, where the collapse of the mining industry had led to the loss of around 10,000 jobs. The majority of its funding is now from the constituent local authorities, the local TECs, SRB and ERDF.

Most of the land has now been reclaimed and is open for inward investment, with 106 hectares designated as an Enterprise Zone for 1995-2005. In attracting enterprises to the area, the Partnership concentrates on marketing to business intermediaries. In Director Peter Johnson's words, 'most people overseas don't know where Yorkshire is, let alone the Dearne Valley'. Around two-thirds of enquiries are generated directly, the rest through other agencies such as the former RDO, Yorkshire and Humberside Development Agency.

When an inward investor is seriously considering a move to a site in the Dearne Valley, DVP staff convene a project team comprising:

- landowners and developers (predominantly the partner local authorities);
- staff from the Government Office for Yorkshire and the Humber, able to discuss availability of RSA and other financial incentives;
- staff from the South Yorkshire TECs (who have themselves developed a common package of recruitment and training support for companies moving into the county, with staff on the same premises as DVP), and designated staff from the local Employment Service districts.

As an investment project proceeds, other key staff, such as local authority planners, are brought into the team. Throughout the project, links with the company are maintained by one member of DVP staff, who can provide other advice and support on issues ranging from car hire, to house-hunting to providing information about local schools.

**The customer's perspective:**

Delfa Technologies Ltd wanted to develop a factory for refrigerator components to add to their existing importing and distribution capacity in the South-East of England. They identified sites with comparable financial incentives in the North, and made further enquiries. Ron Graham, Operations Director, says that DVP was crucial in ensuring that sites within the Dearne Valley were chosen: 'doing business in the Dearne Valley has to be the easiest thing I've done in my life: they were so helpful, so professional and so slick'.

He contrasts DVP's response with that of another area: 'I called up DVP and explained the sort of site I wanted. They rang me back and asked whether I could spend the day there the following Wednesday, by which time they'd arranged meetings with a couple of site developers, the Council, the TEC and the DTI. In a competing area, on the other hand, it took me 25 phone calls to get to the same point.'
Partnerships should strive to improve the accessibility of their services through outreach and similar activities...

92. Joint working can run into problems, however, when agencies have distinctive statutory remits, cultures, accountability procedures and geographical domains. These differences can raise significant barriers to better joint working [BOX 1]. A recent Cambridge University/LGA survey identified that only 12 per cent of local authorities had partly or fully co-located business support with Business Link/Connect; a further 9 per cent had some co-location, and 18 per cent operated from their local authority sites under the Business Link/Connect brand (Ref. 34).

Making new links between services, opportunities and people

93. The maze of provision facing the clients of economic development and regeneration is particularly off-putting for the most economically marginalised people, who may not be actively jobseeking, and small community-based businesses. Partnerships should strive to improve the accessibility of their services through outreach and similar activities, and also to make links between economic opportunities and local people and businesses to ensure that other needs are met. In many areas, councils may be best equipped to take the lead. But the complexity of embedding a strategy within a diverse range of agencies and the parochialism outlined above mean that this role is underdeveloped in many authorities and often seen as secondary to delivering services.

BOX 1

Examples of problems with co-location and merger of services

In one authority, where economic development services were to be delivered through a local-authority-controlled company, councillors were concerned that the accountability of economic development services would be lost if these were delivered by an independent company acting under contract to the local authority. These concerns were overcome by clarification of reporting procedures.

In two-tier areas, districts have, on occasion, been wary of county councils’ attempts to move towards co-location, and have declined to merge their, and local enterprise agencies’, services with the county’s.

In one metropolitan area, Business Link was concerned about loss of identity through the merger. The problem was overcome by an interim decision to use both Business Link and the new agency’s name when answering telephones.

In another metropolitan area, there was concern from the partner local authorities that inward investment enquiries might not be shared out equally. This problem was tackled through a formal protocol on how enquiries should be handled.

Source: Audit Commission fieldwork
94. For example, small and community businesses are often marginalised by mainstream economic development services, but it is possible to improve the take-up of services and their impact on particular client groups. Two local partnerships have made improving access to business support services a priority [CASE STUDY 12].

CASE STUDY 12

Improving access to business support services

Bristol Area Community Enterprise Network (BACEN) is an independent agency funded by Bristol City Council and SRB funds, as part of the City's Third Sector Economy Strategy. Through its Small and Community Business Development Project, the Network offers information, support and advice to community enterprises. The advice includes assistance in accessing support from regeneration and business support agencies. The support available is wide-ranging, but includes assistance with business, financial and feasibility planning, creating local enterprise development partnerships, access to low-cost funds and development grants for specialist consultancy.

The project, which aims to support transition from intensive support to long-term viability within the social economy, has more than achieved its SRB targets for job creation, start-ups and advice. It has also focused on longer-term indicators and targets such as: the establishment of new development trusts, developing cross-sectoral involvement in the voluntary and community sector, and raising awareness within the public sector of the opportunities that community enterprises can offer as contractors and suppliers of services.

Breakout was a three-year scheme supported by the London boroughs of Brent and Harrow, local enterprise agencies and SRB. Based in the Harrow Business Enterprise Agency, the scheme was designed to address a low take-up of business support services among Asian-owned businesses, working through four existing business groupings and running a series of seminars and similar events. A review of Breakout after the end of the project identified that it had raised the profile of Asian businesses' needs and had created a longer-term vehicle for engaging this business community and improving access to mainstream business support.
95. Improving access to services need not stop with the services that statutory agencies provide, and local authorities can take the lead in capitalising on the networks they have at their disposal to broker access to goods and services for local businesses [EXHIBIT 20]. Some ways in which they have undertaken this role include:

- **Supply chain development**: This links local businesses with potential buyers and suppliers. Several local authorities help to develop these through holding ‘meet the buyer’ events.

- **Enabling access to finance**: In Manchester’s Moss Side, for example, a scheme has been developed to enable small businesses – which would normally find it hard to raise capital, for lack of track record and their own equity, and because of the area’s reputation – to secure funds from commercial banks.

- **Technology transfer schemes**: These allow local businesses to benefit from the research and development capacity within local higher education institutions, through the development of science parks, and other schemes which bring research to the marketplace.

- **Sectoral development**: Through targeted business support, tailored accommodation and training, strategies focused on specific sectors can help to foster the development of clusters of expertise and comparative advantage.

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**EXHIBIT 20**

**Local economic brokerage**

Local authorities and their partners can use their networks to broker access to a wide range of services.

*Source: Audit Commission*
96. Jobseekers also have difficulties in gaining access to suitable support and services. For example, in many cases, their previous experience of education and training has been unsuccessful, so the idea of returning to an 'institution' to develop skills and employability is unappealing. By working through the networks and channels at their disposal – and making sure that their services mesh with the New Deal and related government initiatives – local partnerships can help overcome these barriers by taking services to their beneficiaries. In Southampton, for example, vacant shops on housing estates are used to accommodate training for people who might be unable or reluctant to travel to colleges further afield [CASE STUDY 13].

97. But getting a job is not just a matter of developing vocational skills. Long-term unemployment, demoralisation and low skill levels can conspire to exclude people from taking jobs. Barriers are heightened when employers are unwilling to take a risk in employing someone without the relevant skills or experience of work. This creates a vicious circle: no experience equals no job. In the words of one jobseeker, 'If I cannot work in that area, how will I get the experience?' Local authorities have experimented with a range of approaches to tackling this problem. In some cases, intermediate labour markets (ILMs) are used to give unemployed people on-the-job training and experience and to improve their basic employability skills, while delivering socially useful services. Many ILMs are modelled on the programmes run by the Wise Group in Glasgow [CASE STUDY 14, overleaf].

CASE STUDY 13

Enabling access to training in Southampton

The Northam and Weston Schemes in Southampton grew out of a long-standing partnership between the City Council and the local college, which began through supporting home-based learning in computer skills for people with disabilities. The partnership then began to address other barriers to participation, helping women with childcare and travel costs, and using local school facilities to provide more accessible training for women from ethnic minorities.

Through discussions with tenants' and residents' associations, the Council identified a further problem for people who had been unsuccessful in school education: they were disinclined to attend training courses on the college's premises, seeing the environment as too alien. The Council decided to use shops on two housing estates (Northam and Weston) as centres for transitional training, which could reconnect these people with mainstream training. The shops run various courses in business administration and IT, using college lecturers and FEFC funding. The courses run from 10am–3pm, to make it easier for those with school-age children to attend.

The schemes have been funded through various sources, including SRB, ESF, FEFC and Council funds. Taken together with a scheme run through a local primary school in Mount Pleasant, the Council currently contributes around £40,000 per year. The courses have proved popular, and most start fully subscribed. Around 50 per cent of those completing the courses go on to further training or find jobs after completion.
CASE STUDY 14

The Wise Group

The Wise Group is a charitable limited company that has been working with unemployed people in Glasgow since 1983. The Group has grown from Heatwise, which used local people to work on insulating houses in Glasgow. From this a transitional approach to employment has evolved, which focuses on enabling the long-term unemployed and other marginalised groups to gain work, through a mixture of training and supported employment.

On a typical scheme, the Wise Group offers successful applicants an eight-week trial period, during which they are paid benefit plus £10 per week (thus avoiding the necessity of ‘signing off’). After this period, participants are paid a wage for the job for up to 44 weeks. As well as Heatwise, the Group now includes Landwise (which undertakes landscaping) and a range of other programmes, and has a subsidiary in Newham and franchises in Sunderland and Bolton.

The company had a turnover of around £14 million in 1998, which was raised in roughly equal proportions from EU funds, local authorities, earned commercial income and other sources including contracting for Government training programmes such as Training for Work and the New Deal for Young People. During that period the company enabled around 1,000 people to get into work; among those who had been on the longer-term employment programmes this represents a success rate of around 58 per cent. The cost has been estimated at about £12,500 per person (not counting the benefits which are delivered to the community by the work carried out), which can be compared with costs of up to £9,000 per year in benefits and lost tax revenue for an unemployed person.

The Group’s Chief Executive describes their aim as ‘generating and delivering effective solutions to unemployment’. He believes their success lies in:

- its flexible focus on solving individuals’ problems rather than delivering schemes to a standard template;
- striking the right balance between social and commercial objectives to ensure good frontline management and continuing demand for the Group’s services; and
- allowing schemes to develop over time.

Source: Audit Commission fieldwork and Piin 1996 (Ref. 40)

98. Another approach is to encourage incoming or expanding employers to recruit local people. Local authorities cannot force companies to recruit locally; most economic development officers agree that to try to do so would be counter-productive, and as likely to deter employers from staying in an area as to encourage them to employ local people. However, they can help companies to recruit local staff, and help local people to benefit from the opportunities offered [CASE STUDIES 15 and 16, overleaf]. One property developer who worked with the London Borough of Hackney in its Holly Street development identified positive benefits from such a scheme in terms of reduced vandalism and theft from their sites and, most importantly, a feeling of goodwill towards his company, which helped them win subsequent contracts (Ref. 41).
CASE STUDY 15

Local labour initiatives in Salford

Salford Employment Charter is run by a partnership including Salford City Council, Manchester TEC and the Employment Service. Employers make a voluntary commitment to endeavour to employ local labour and to use local companies as suppliers, where possible. They agree to inform the Charter Manager of employment and training opportunities. In return, the Charter Manager ensures that any vacancies are advertised as widely as possible, and identifies grants which might assist with the training of local people employed in this way and—in some cases—provides a wage subsidy to support employment. So far, 300 employers have signed up to the scheme, and around 350 local people have found work through it.

The business perspective

Kids' Kapers is a play centre, community nursery and out-of-school club based in the Seedley/Langworthy area of Salford. The centre was set up by Carol Dyson and her husband in September 1997, and now employs four full-time and seven part-time staff. All the centre’s full-time staff and some of the part-time staff have been recruited through the Charter, and Mrs Dyson plans to recruit further part-time staff in the same way.

The wage subsidies available for full-time staff are only one of the advantages identified by Mrs Dyson: 'The Charter staff have been very helpful in recruitment—making sure that job ads go to all the right Jobcentres and newspapers, helping with application forms and narrowing down short lists. At the same time, it helps to have local staff: we have staff living near the building in case anything goes wrong; staff generally know the children and their parents, so we have fewer behavioural problems; and parents like to know that their children are being looked after by local residents.'

Making economic development and regeneration a corporate objective

99. Local authorities in England and Wales spend more than £70 billion every year on mainstream services such as housing, education, transport and planning. Spending on economic development and regeneration is relatively marginal. Yet, as the analysis of employers’ and jobseekers’ needs illustrates, the quality of these mainstream services can determine whether locations can attract and develop employment opportunities, and whether local people benefit from those opportunities [EXHIBIT 21, overleaf]. When one adds the spending of other agencies, such as the NHS and police, the importance of core budgets becomes even clearer. In some areas, improving the quality of mainstream services, tailored to meet local circumstances, may be the most effective form of economic intervention. Some local authorities have sought to do this, and the contribution of core services is emphasised in the LGA's New Commitment to
Regeneration. But, others have yet to get the basics right. Where mainstream services are seen as poor, businesses are sceptical about authorities’ role in regeneration: if the council can’t keep the streets clean, how can it regenerate a flagging economy? New political structures, such as those proposed by Government in the Local Government White Paper (Ref. 1) may help councillors and officers to take a broader view of how council services support economic regeneration.

CASE STUDY 16

Greenwich Local Labour and Business Partnership

Greenwich Local Labour and Business Partnership (GLLaB) was set up in 1997 to ensure that as many local people and businesses as possible would benefit from the Millennium Dome development and other new projects, such as Woolwich Arsenal. The partnership is led by the London Borough of Greenwich and includes the Employment Service, the local TEC, Woolwich College and a number of SRB partnerships. It works closely with the New Millennium Experience Company (NMEC) and other major private sector companies to ascertain in advance their workforce and skill requirements.

To help supply the main construction phase of the Dome, GLLaB organised a large-scale publicity campaign using local newspapers, posters and jobs fairs, as well as Jobcentre referrals and notices, to identify local people who might be interested in the work available. Information about jobseekers was entered on to a database and used to match vacancy listings supplied by NMEC’s contractors. Where skill shortages were identified, tailored training was commissioned from local colleges and private sector providers. It is estimated that as a result of the partnership’s work approximately 40 per cent of the construction weeks worked on the Millennium Dome were supplied by local people. One of the critical success factors in achieving this high level of local employment is believed to be the credibility and trust gained with NMEC through supplying a consistently high standard of candidates. The total cost of the GLLaB local labour scheme was in the region of £380,000.

Following the completion of the Dome’s construction phase, GLLaB has joined with neighbouring Thames Gateway authorities (Lewisham, Tower Hamlets and Newham) to share surplus local employment opportunities in a scheme called Jobnet. Greenwich Council will also be supporting a programme of pre-recruitment training designed with NMEC, in conjunction with Skillswork (a partnership set up by the Thames Gateway authorities). Completion of this programme will guarantee an interview with NMEC for one of their estimated 3,000 vacancies.
EXHIBIT 21

Impact of core services

A wide range of local authority services affect economic development and regeneration.

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>ENGLAND</th>
<th>WALES</th>
<th>ECONOMIC IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>£384.92</td>
<td>£406.68</td>
<td>Equip citizens with the basic, social and vocational skills needed for employability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The quality of education is a major factor in attracting or repelling inward investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lack of childcare can hamper carers’ employability</td>
</tr>
<tr>
<td>Transport and highways</td>
<td>£7.56 on public transport</td>
<td>£6.27 on public transport</td>
<td>Lack of affordable public transport running at the right times is a significant barrier to employability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transport infrastructure is a major location factor for business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Traffic control needs to balance accessibility of town centres with concerns over congestion</td>
</tr>
<tr>
<td>Planning</td>
<td>£5.36</td>
<td>£7.39</td>
<td>Unitary Development Plan sets out strategy for land use and reclamation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Individual planning decisions, and their speed, can be a major influence on business development</td>
</tr>
<tr>
<td>Environmental services</td>
<td>£25.91 (per household) on waste collection</td>
<td>£32.91 (per household) on waste collection</td>
<td>The quality of local environment is a significant location factor, especially for service-type industries</td>
</tr>
<tr>
<td></td>
<td>£7.39 on consumer and environmental protection</td>
<td>£15.35 on consumer and environmental protection</td>
<td>Poor street cleaning can severely damage the image of retail centres</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Effective and fair trading standards operations can improve the prosperity of local businesses</td>
</tr>
<tr>
<td>Housing</td>
<td>£366 (capital per dwelling) on improvements</td>
<td>£322 (capital per dwelling) on improvements</td>
<td>Poor housing can lead to poor health and be a barrier to employability</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Housing regeneration offers opportunities for employment</td>
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<td>Social services</td>
<td>£192.75</td>
<td>£177.46</td>
<td>Caring responsibilities can prevent jobseeking</td>
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<td></td>
<td></td>
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<td>Family problems can affect educational attainment and work readiness</td>
</tr>
<tr>
<td>Economic development</td>
<td>£4.45 (gross)</td>
<td>£4.05 (gross)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Audit Commission fieldwork, questionnaire, and local authority performance indicators 1997/98 (Ref. 42)
Planning and regulatory services – getting the balance right

Planning can be a particularly contentious area. In one coastal authority, where tourism is the major employer, tourism and economic development are completely isolated from each other in strategic and operational terms. Economic development was focused on attracting heavy industry to replace branch plants which had moved to the area only because of directive regional policy in the past. Businesses seeking opportunities for retail sector development complain of a brick wall of resistance to such development. This is not a unique example: local businesses and inward investors can find that the authority which speaks in welcoming terms when promoting economic opportunities adopts a far colder tone when discussing planning permissions. Indeed, a recent report suggests that local planning restrictions are a key barrier to greater productivity in sectors such as retail (Ref. 43). Of course, other departments do have their own statutory responsibilities and local authorities are sometimes faced with complex trade-offs between objectives such as economic development and environmental sustainability. Better clarity in consultation and communication would ensure that businesses feel that they are speaking to a single co-ordinated agency rather than a legion of disparate interests. Local business partnerships, which bring regulatory services together with local business interests, offer one mechanism for improving clarity.

Making retail centres work – town centre management

Town centre management (TCM) schemes are one way of ensuring that the environment within which businesses operate promotes competitiveness and prosperity. In many towns and cities, the importance of TCM has increased as retailers have been subjected to intense competition from out-of-town shopping centres. To enable retail centres to compete, local authorities can focus their services and regulatory functions on the needs of retailers and other businesses, and ‘bring to our urban centres the same planned and co-ordinated approach that has marked the success of edge-of-town developments’ (Ref. 44). TCM schemes range from small-scale approaches to improve co-ordination, to more extensive schemes involving the delegation of budgets and private sector contributions [CASE STUDY 17], to extensive capital programmes. But, these are still the exception rather than the rule. A recent DETR report identified 200 TCM schemes in the UK, but discovered that private sector participation was limited and that less than 1 per cent of businesses chose to contribute to such schemes (Ref. 45). The 87 respondents to the Audit Commission questionnaire who reported expenditure on TCM spent an average of 37p per head, but their expenditure was matched by private sector contributions in only 20 cases. One of the key problems in raising private sector contributions on a voluntary basis has been the risk of some businesses benefiting from enhanced services without contributing (‘free riders’). The Urban Task Force has recommended statutory Town Improvement Zones, which would allow local authorities to introduce a compulsory levy if a certain proportion of businesses were in favour, and these ideas merit further consideration by Government (Ref. 46).
CASE STUDY 17

Approaches to town centre management

Eccles is a town centre within the city of Salford. The town centre regeneration and management scheme, Talking Town, draws funds from the SRB, Salford City Council, European and private sector sources. With the opening of the Trafford Shopping Centre a few miles away, the focus of the scheme is on marketing Eccles as a retail centre to maintain its viability. Specific initiatives launched include CCTV, environmental improvements and a scheme to keep troublemakers out of local shops and pubs. In addition, the Town Centre Manager acts on behalf of the business community in lobbying the local authority to, for example, allow free parking on certain days to help boost local trade.

Manchester City Council has launched a city centre management scheme to help maintain the viability of the city centre. They have set up a private/public partnership, with contributions from local businesses and the council, and a private sector secondee. This partnership, which has a budget of around £180,000 pa (two-thirds of which is contributed by 15 major local employers), sets specifications for and monitors delivery of services such as street cleaning; lobbies on behalf of and markets the city centre; and acts as a forum for private sector involvement in the strategic development of the city centre. Future plans include the establishment of the partnership as a limited company and a membership scheme involving voluntary contributions from other local companies.

In Coventry, the City Council has been engaged in a city centre partnership since 1987. In 1997, this was established as a city centre company, limited by guarantee, in which the Council has a minority stake. The company manages budgets to maintain and improve the city centre, and delivers or contracts services including car parking management, maintenance and cleansing, community safety and business support, some of which are delivered under contract by the City Council. The Council contributes £5.5 million to the running of the company, which also collects around £600,000 from local businesses (for which subscribers receive a range of preferential services), and has signed up nearly 90 members.

Local purchasing and employment

102. A council’s economic impact does not derive solely from the services it provides and the functions it undertakes. Many local authorities are also the largest local employer, and a significant purchaser of goods and services. They also control a considerable asset base. But, the extent to which these resources are used to enhance the employability of local people and the competitiveness of local firms is variable, even when extensive funding has flowed into an area for substantial physical regeneration projects. In recent years, many local authorities have set up
local labour schemes as part of such projects. In other cases, local authorities have sought to repackage council contracts to make it easier for smaller local firms to bid for them. Many of these schemes have proved a success with both contractors and local people, but their extent is still limited. Often, corporate functions are not delivered in ways that support economic development and regeneration. Officers in one authority had identified 'postcode discrimination' as a barrier to employability for some minority groups within the area, but also identified that the council's own recruitment advertising was liable to discriminate against exactly the same communities. Local authorities cannot be anti-competitive, and the best value regime emphasises the role of competition. Within these limits, however, local authorities should consider how they can enable and help local people and local contractors to compete on equal terms for the employment and contracting opportunities that they offer.

Conclusion

103. Economic development and regeneration are complex policy objectives. They involve taking risks and innovating against an uncertain background of domestic and international change. Through rigorous strategic analysis, local authorities can identify the right interventions; through effective partnerships they can deliver these interventions in the right way. But, at the moment, fragmentation and duplication on the ground persists, underpinned by a maze of strategies, partnerships and organisational configurations. This threatens to exclude potential participants and beneficiaries and to mar the effectiveness of activity. Problems derive from:

• a lack of clear and informed analysis of local problems, linked with specific targets and robust performance measurement systems;
• a proliferation of partnerships which often fail to achieve genuine community involvement and more coherent services; and
• a focus on providing discrete services, at the expense of integrating and signposting services within partnerships and developing a broad view of local problems and solutions.

104. The national framework, which exacerbates duplication and fragmentation, is the subject of Chapter 4. Improvements to this framework could help local partnerships to work more effectively, but much can be achieved within the current framework. The new configuration of training and business support services, the RDAs set up for the English regions, the National Assembly for Wales, the forthcoming Urban and Rural White papers and the new duty of community leadership proposed in the Local Government White Paper offer an opportunity for rationalisation in regeneration. At the same time, they pose a threat of adding to the burgeoning range of organisations and strategies. Local authorities – individually and through regional chambers – should seize the opportunity these changes offer to rationalise, and improve the impact of, partnerships and services. Otherwise, regeneration programmes will risk letting down the people and communities they are designed to benefit, and may even undermine national economic competitiveness.
The National Framework

Government and European regeneration programmes extol the virtues of long-term, comprehensive strategies, but many of the funding systems involved promote the opposite. Local authorities could improve their approach to bidding for these funds, but government should consider ways of encouraging them through reviewing the national framework to encourage genuine strategic partnership, and allowing the best councils and partnerships more discretion over regeneration funds.
105. The virtues of comprehensive regeneration strategies that engage a wide range of partners, take a long-term view and are based on solid evidence of what works have been preached by successive governments. In practice, however, many aspects of the national framework for economic development and regeneration promote the opposite values, by:

- encouraging opportunistic chases after regeneration funds;
- promoting short-term planning and fragmented evaluation, with varying measurements used for different schemes and agencies;
- generating a maze of partnerships which excludes those not used to playing 'the regeneration game'; and
- raising the transaction costs of managing funds through time-consuming and duplicative procedures.

106. The Government has shown that it is aware of these problems, and various working groups are examining ways of rationalising procedures and systems, especially those relating to area-based regeneration funding. This chapter addresses some of the specific problems relating to area-based regeneration, and reviews some of the other problems identified during Audit Commission fieldwork. The solution to these problems lies in a fundamental review of regeneration funding systems, and a new partnership between central and local government. But the need for change is becoming urgent: as long as the current situation is maintained, the words of one economic development officer will continue to apply: 'everything's holistic nowadays...holistic on its own'.

107. Area-based regeneration funds such as the SRB and the European Structural Funds support a great deal of regeneration activity on the ground, and form the main focus for the regeneration relationship between central and local government. The arrangements for the different funding regimes vary, but they commonly involve competition for funds to support a medium-term strategy, and are often intended to refocus core agency expenditure, improve partnership and promote innovation. The virtues and vices of these funds are hotly contested, especially with regard to the role of competition. Supporters argue that this promotes innovation, while opponents argue that it wastes resources on abortive bids and fails to target need.¹

108. The number of different funds and resources involved has grown over time – the SRB, for example, will spend around £3 billion on projects in England between 1998 and 2002. In many cases, a rich mixture of funds is involved in supporting individual projects: private and voluntary sector contributions are mixed with resources from local authorities, TECs and English Partnerships, to draw down funds from the SRB, Capital Challenge and various European funding streams. The result can be a dizzying cocktail of funding [EXHIBIT 22] and accountability procedures [BOX 1, overleaf].

¹ The administration of these schemes is discussed further in Appendix 2.
Exhibit 22

Economic regeneration in Moss Side/Hulme

Moss Side and Hulme lie directly to the south-west of Manchester city centre and have a population of about 28,000. Unemployment in the area is four times the national average, achievement at GCSE one-tenth the national average and violent crime twice the national rate. Regeneration in the area has encompassed an extensive programme of housing and physical renewal, as well as social and economic elements. Economic regeneration in the area is co-ordinated by the Moss Side and Hulme Economic Agency (MHEA). The diagram below shows the funding involved in two projects.

Source: Audit Commission fieldwork
Funding and accountability in Moss Side and Hulme

Seedcorn is designed to help community-based businesses through training, support and assisted access to finance. It focuses in particular on 'reluctant entrepreneurs' who choose self-employment as a last-ditch alternative to remaining on benefit. The scheme's revenue budget amounts to around £150,000 pa and is currently funded through SRB, capital receipts, the Moss Side/Hulme Economic Agency's core budget and ERDF. A further £50,000 in capital receipts is available for capital grants, but cannot be matched by ERDF.

Joblink involves a package of measures to help local people into work. It includes tailored pre-recruitment training, confidence-building measures and wage subsidy. The project's annual costs are around £300,000, which is funded through the Agency's core budget, private sector contributions to the wage subsidy, a secondment from one local business, a TEC training contract and ESF.

European funds are delivered over a calendar year and the SRB over a financial year. SRB and ERDF require quarterly grant claims which are passed through Manchester City Council and different departments of the Government Office for the North West. Up to 50 per cent of ESF funding can be claimed in advance of a project start, with the remainder claimed during the course of the project, and after its completion. The TEC funding is delivered over a slightly different TEC funding cycle. Each funding stream requires outputs reported to its own definitions. For example, the SRB uses 'training weeks' as a measure, while the ESF uses 'beneficiary hours'.

Source: Audit Commission fieldwork

108. Councils play an important role in area-based regeneration schemes, which also encompass a wide range of zones and other new initiatives such as the New Deals for Unemployed People and Sure Start. In particular:

- councils spend an average of 32p per head of population on bidding for and managing these funds – in around 10 per cent of authorities, resource procurement accounted for more than one-fifth of their entire economic development and regeneration budget;

- local authorities lead a large number of regeneration partnerships set up to manage funding, and are the accountable bodies (responsible for ensuring funds are properly used) in 62 per cent of SRB partnerships from Rounds 1 to 4;

- mainstream council expenditure is often a major element of regeneration initiatives; and

- it is down to local authorities to set area-based regeneration schemes in the local context to ensure that the schemes complement – and are complemented by – activity outside the area affected.
...plans are tailored to attract the money, rather than money being secured to support local strategies

110. However, councils and their partners complain that the profusion of different schemes outlined above has some perverse outcomes, promoting rather than reducing fragmentation, encouraging short-term and opportunistic rather than long-term and strategic approaches, and diverting time and resources into administration rather than regeneration. These problems spring from local behaviour as well as central regulation: the previous chapter addressed some of the ways in which councils could generate a clearer strategic focus; the next section identifies some of the unintended outcomes of current arrangements for regeneration funding.

The perverse outcomes of area-based regeneration

Encouraging opportunism

111. A framework that relies upon bidding can unwittingly promote opportunism – plans are tailored to attract the money, rather than money being secured to support local strategies. If money is available for capital projects, these are promoted. If the emphasis switches to community economic development, then opportunities in this area are discovered. Regeneration officers interviewed during fieldwork confirmed that this was the case, and that both their bids, and local authority resources, were directed to what could attract external funding, even if this did not entirely match local priorities, or rely on thorough economic analysis. In one fieldwork authority, for example, an economic development officer explained that environmental improvements to the entrances of industrial estates (a fairly low priority locally) had been funded when a funder discovered spare money in the budget for these projects towards the end of a financial year. These improvements were not valueless, but the local authority could have identified more urgent needs had they had the time and flexibility to do so. In many cases, councils also question whether the boundaries of the areas selected really made sense.

Short-term planning and evaluation

112. Though funds may be available over a five-year period, differing timescales and the need to obtain matching funding can require dextrous juggling of funds every year to ensure that projects continue [BOX K, overleaf]. The problem is particularly acute as European funding operates on a calendar year, and SRB on a financial year: where SRB is used to match European funding, this can delay the start of projects until the result of SRB applications is known. Similarly, when two funds are available over, for example, a five-year period, significant profiling problems can arise if the periods are not precisely synchronised. When profiling causes problems with cash flow, this can pose particular difficulties for small voluntary and community organisations.
BOX K

Juggling funds in Moss Side/Hulme

As different funds become available or unavailable, officers in Moss Side/Hulme have to change the profiling of funds to ensure that projects' costs can be met. This exercise is made more difficult because of the varying requirements of different European funds for match funding (domestic contributions to projects funded by European funds).

In the case of the Seedcorn project, £70,000 of capital receipts were available over two years, but neither European business support funds nor the funds used to match them can be used for capital purposes. Therefore, only £20,000 of the capital receipts were used to match the ERDF revenue funding, with the rest retained to provide capital grants. At the same time, the original plan to use SRB-funded staff from the Moss Side/Hulme Partnership as match funding in kind was put in jeopardy following a revision of the rules regarding eligibility.

In the case of the Joblink project, the funding profile had to change following the end of the Hulme City Challenge, which had been used to match ESF funding. The final package was put together by including £80,000 TEC money as match funding, but this money subsequently became unavailable and only ineligible contract funds (which had already been used as match funding nationally) would be available. Eventually, £50,000 of TEC money was discovered but would not be available for the beginning of the 2000/2001 financial year.

Source: Audit Commission fieldwork

112. A short-term horizon is also evident in evaluation. Despite universal acknowledgement that it is impact that matters most, long-term evaluation of the impact of funds and activities is often neglected in favour of reporting outputs on individual programmes to satisfy funders. In a study of government funding in Sheffield, the Government Office for Yorkshire and the Humber identified 107 output measures relating to small- and medium-sized enterprise (SME) development alone (Ref. 47). Longer-term evaluation, on the other hand, tends to be focused on specific schemes and on the activities of specific agencies. When added to the different measurement systems used by different agencies, this fragmented approach flies in the face of the reality of regeneration, especially in areas where a wide range of agencies and regeneration programmes have been involved. It not only encourages the double-counting of successes, but also inhibits value for money and learning from best practice, as was discussed in the previous chapter.
Partnership proliferation and exclusion

114. Regeneration schemes have usually involved the development of a strategy or action plan by a partnership. New Government programmes, and the best value regime, set even greater store by community involvement, and there is some evidence that this is being achieved. For example, by Round 3 of SRB, 56 per cent of bids had voluntary sector involvement, as opposed to 22 per cent in Round 1 (Ref. 48). But, the sheer number of partnerships which are involved exacerbates the problems of partnership proliferation outlined in the last chapter. SRB, Structural Funds, NDC, Health and Education Action Zones all require partnerships involving different local agencies and representatives of communities of place or interest. In Moss Side/Hulme, for example, many of the same people and organisations are involved in the Executive Team, the Urban Management Committee, the Urban Partnership Group, the Education, Employment and Training Group and the Economic Forum.

115. Together, these partnerships place considerable time demands on both officials and other stakeholders, many of whom are very busy. The time pressure can also promote tokenism: private sector partners in fieldwork sites admit that they signed up to some bids without even having been glancingly involved in their development. In their eyes and in the context of the current system, their behaviour was rational – it stood to bring money into the local area – but it does raise doubts as to whether partnership bids betoken genuine participation between agencies and communities. One chamber of commerce member (in an area where the local authority prided itself on its partnership approach) comments, ‘we’d be out of the door tomorrow if the Government wasn’t insisting on partnership’.

Transaction costs of regeneration

116. Finally, the sheer number of these schemes and partnerships increases transaction costs. Officers can spend as much as one-quarter of their time managing funds and meeting onerous and sometimes conflicting monitoring demands [EXHIBIT 23, overleaf]. This often unnecessary administration absorbs resources that could be used more productively for regeneration, and increases the risk that particular outputs are counted twice. Where multiple partnerships are managing different funding schemes, the duplication of effort not only wastes time, but further discourages the involvement of the private and community sectors as ‘partnership fatigue’ sets in. With strategies addressing related regeneration issues at neighbourhood, local authority, TEC, sub-regional and regional levels, there is a real danger that the transaction costs of partnership working will outweigh the value that partnership can add.
In short, this labyrinth of programmes has consequences that go against the grain of current regeneration policy. The Government has set up working groups to see how area-based funding can be rationalised, and new initiatives have gone some way to addressing these problems. For example, the New Deal for Communities allows individual partnerships three months to come up with initial proposals, followed by another six months for further development of plans and strategies, with funding to support the process (Ref. 49). The Government has also signalled its intention to continue with the SRB or similar initiatives for at least the next three years; local authorities can and should plan ahead. In Salford, for example, local strategies have been developed for eight areas of the city. This means that mainstream resources can be focused on local priorities and that, when suitable opportunities for accessing SRB and other funding arise, the city already has a mechanism for community involvement in place. The strategy drives the bids, not vice versa.

Such developments are welcome, and it is to be hoped that the outcome of the Government’s reviews will be a more rational balance between simplicity and proper public accountability. An improved system will result in common reporting formats, reporting periods and agreed definitions for indicators. This rationalisation should ideally encompass discussions between Whitehall and Brussels about the administration of European Structural Funds as well as domestic regeneration schemes. In the meantime, Government should think hard before launching any new schemes which might add to the burden of administration locally.
Tackling unnecessary restrictions and regulations

119. Other features of the statutory framework also fail to accord with stated regeneration policy. The economic development powers set out in the Local Government and Housing Act 1989 encourage local authorities to take a short-term and narrow approach to economic development and regeneration, through focusing on single-year, single-department plans. This contrasts with the approach of more progressive authorities and partnerships, whose horizon extends forwards at least two to three years, and encompasses a range of partnership activities. Legislating to introduce the new duty to promote social, environmental and economic well-being would encourage all authorities to see economic development and regeneration on a wider canvas. This legislation should supersede the provisions of the 1989 Act, and should include requirements for local authorities to develop their community plans with appropriate input from other agencies. Annual delivery plans based on these should be drafted in such a way that the patterns of intervention and performance can be compared between different agencies and partnerships.

120. There are other elements of the national framework for regeneration that local authorities find restrictive or burdensome. Many local authorities argue for stronger compulsory purchase powers (the Urban Task Force’s recommendations in this area are to be welcomed (Ref. 46)), and a relaxation of capital controls on local authority companies. The origins of these restrictions can be traced back to the turbulent relationship between central and local government, which reached a nadir in the early- to mid-1980s, when some urban authorities were cut out of regeneration by the introduction of Urban Development Corporations. Matters have improved significantly in the past decade and, in many parts of the country, central and local government have the same aims and priorities. But, local authorities still argue that they and their partners could be more effective if they were not hampered by complex regulations and unnecessary – or even counterproductive – bureaucracy, and feel that central government’s encouragement of partnership on the ground is not backed up by action.

121. Government will naturally be wary of giving local authorities and partnerships free rein, especially given the patterns of duplicative and sometimes dysfunctional competition highlighted in this report. Nonetheless, local authorities which prove themselves to be capable and inclusive leaders of genuinely strategic partnerships could make a strong case for greater discretion over the use of funds. Government will need to be convinced of partnerships’ ability to plan and deliver economic development and regeneration in a way that ensures best value for the taxpayer. At the moment, however, the fragmented nature of evaluation and performance measurement makes it hard to gauge different partnerships’ success. Through reviewing the different performance measures used by different agencies and schemes, Government will be able to establish a common basis for judging – whether at a national or a regional level – both the capacity and the impact of different partnerships. The performance measurement framework discussed in Appendix 3 could form the basis for such a review.
122. Where the Government is convinced that a partnership has a clear strategic vision and the capacity to deliver, a wide range of freedoms and flexibilities might be agreed, which would allow learning from the experiences of successful partnerships both in the UK and abroad, and would cast the Government as a full partner in regeneration activity. These could include:

- merging different regeneration and mainstream budgets to meet regeneration objectives;
- relaxation of the rules which require annual allocations of regeneration funding to be spent within the year for which they were allocated;
- reviews of the areas covered by regeneration programmes to ensure that individual programmes are complementary and maximise impact; and
- greater freedom at a local level for partnerships to set their own targets, and monitor their achievement.

Discussions on such freedoms and flexibilities are already under way as part of the LGA’s New Commitment to Regeneration, which offers a promising framework for the better integration of regeneration objectives with mainstream local activity.

123. Regeneration policy is in a state of flux at the moment, as the Government observes the results of various pathfinders and pilot schemes, and considers the recommendations of the Urban Task Force and the Social Exclusion Unit’s Policy Action Teams. If these reviews are to help to achieve more effective and sustainable regeneration, they should result in a more coherent and streamlined system that balances the need for accountability with the flexibility that will enable effective and locally-appropriate action. The current system mirrors the ‘patchwork quilt of complexity and idiosyncrasy’ described in the Audit Commission’s 1990 report (Ref. 39). Through allowing the best local partnerships greater discretion, and through a broader review of regeneration schemes, central Government will both enable greater effectiveness among those local partnerships that are leading the field, and provide incentives for partnership reality to match partnership rhetoric among those that are lagging. At the same time, they will promote a balance between the need for probity and accountability and the importance of innovation in local regeneration. Finally, by legislating for the ‘new duty’, Government will send a clear message that regeneration is not so much the activity of a certain department, but an objective which is pivotal to local government.
Working Towards Best Value

Regeneration is a key priority for national, regional and local tiers of government. New policies nationally, new institutions regionally, and the introduction of best value locally, offer local authorities the opportunity to undertake a fundamental review of their role in economic development and regeneration. Best value challenges should look closely at the rationale for council involvement, and at the way that services are delivered.
124. Best value will require local authorities to challenge the roles they undertake and the ways in which they work, to compare their performance with others', to consult on their services, and to ensure that they are competitive (ref. 1). How can economic development services demonstrate best value, and how can councils move from the current pattern of fragmentation, duplication and poor information, to promote effective and sustainable economic development and regeneration? This chapter draws together the key recommendations to local authorities made in previous chapters under the headings of the 4Cs [EXHIBIT 24]. Challenge is the key element of best value, and local authorities should use best value reviews as an opportunity for a radical rethink of their approach to economic development and regeneration.

EXHIBIT 24

Best value

Best value requires a rigorous challenge, underpinned by comparison, competition and consultation.

Source: Audit Commission
Challenge

125. Challenge is the cornerstone of best value reviews. Given the discretionary nature of local authority involvement in economic development, and the diversity of approaches undertaken, a rigorous challenge will be crucial for local authorities. The fundamental question is whether an authority should deliver specific economic development services, or whether its role is best undertaken through mainstream services and as a strategic leader of local partnerships. The challenge involves asking some of the questions outlined in Chapter 3 of this report, to identify whether an authority should be involved in economic development and regeneration, and if so, how [Box L overleaf]. No single solution can be dictated for the diverse problems that local communities face. However, local authorities and partnerships should work systematically, from the problems faced to possible solutions, learning from good practice where this is available. The challenge should involve:

- a review of the challenges and opportunities facing the local economy;
- an assessment of the scope for local action;
- an inter-agency review of services to see how these compete with or complement each others'; and
- a cross-cutting review of core council services to see how they help, or hinder, local economic regeneration.

Compare

126. Intelligent comparison of economy, efficiency and effectiveness is a core element of best value, and the problems associated with performance measurement in economic development should not rule out such comparison. Local authorities and partnerships can do a lot more than they do now to see how comparable partnerships have responded to similar problems, and with what success. Comparing different partnerships will sometimes pose more questions than it answers, but it should not be neglected: correlating 'not invented here' with 'inappropriate' has not helped learning in economic development. Better comparison will require sharper target-setting by local authorities (as discussed in Chapter 3 and other recent Audit Commission publications [Ref. 50]) and comparable indicators (see Appendix 3). Comparison will pose some key questions about performance and change:

- Are other authorities facing the same problems and, if so, are they trying the same solutions?
  - If there are differences in approach, do these reflect different arrangements of agencies and/or local circumstances? Even when these are taken into account, what could be learned from other areas?

- What explains different rates of economic change in areas facing similar problems?
  - Was there a structural reason why unemployment rates changed at different rates in different places, or was there a decisive public sector intervention?

- At an operational level, how do unit costs, take-up and effectiveness compare between similar services in different areas, or between different agencies in the same area?
  - Can lessons be learned about more efficient methods of delivery?
### BOX L

**Key questions for best value challenge**

<table>
<thead>
<tr>
<th>KEY QUESTIONS</th>
<th>SOME SUBSIDIARY ISSUES</th>
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| **What are the problems facing the local economy?** | • Has local economic analysis, like that recommended in paragraph 69, been undertaken?  
• Are data being shared effectively between agencies?  
• Have measurable objectives been set? |
| **Which can be tackled locally and by whom?** | • What problems can be tackled locally? For example, if job creation is a priority, is inward investment at a local level really adding value? Are barriers to employability best tackled by the local authority as a whole, or through regional or neighbourhood schemes?  
• Which agencies are operating locally? Which are most experienced in, or officially responsible for, tackling particular issues?  
• Are particular problems or client groups being neglected? Could statutory services be refocused to address these problems and needs? Or should new services be developed? |
| **Do council services address the problems?** | • Are economic development and regeneration services aligned with the problems identified? For example, do industrial units meet need, or simply crowd out private sector provision?  
• Do core local authority services promote regeneration? How, for example, are they perceived by local employers?  
• Could signposting be improved and new links developed between services and agencies to improve access?  
• How could links between regeneration areas and their neighbours be strengthened to ensure wider benefit from area-based activity? |
| **Are clients accessing and satisfied with services?** | • What are the views of, for example, businesses and jobseekers on regeneration services?  
• Could take-up be improved?  
• Are there specific barriers to access? How could these be tackled? |

*Source: Audit Commission*

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**Compete**

127. The role of competition – for investment and for clients – in economic development is ambiguous. Delivering competitive mainstream services and promoting and sustaining a competitive environment are key roles for authorities, but many authorities also compete directly. For example, industrial promotion campaigns compete for inward investment. What value do these campaigns add, especially when national and regional agencies are also involved? Competition also occurs among local agencies for clients and funds. Local partnerships should examine the range of local economic development services, considering the extent to which they are in competition, as opposed to complementing each other. The balance between the focus and critical mass which one agency can achieve, and the virtues of a more mixed economy of service provision, is one which must be struck locally, but some of the questions local authorities should consider are:
• Is competition between agencies keeping costs down, or is it merely maintaining fragmentation and adding to overheads?

• Would a development company involving the local authority, training and business support agencies both save on overheads and reduce fragmentation?

• Are there private or voluntary sector companies which could deliver business support and training more efficiently than the local authority?

Consult

128. Compared with many local services, consultation is relatively well developed in economic development and regeneration. Indeed, many authorities have moved far beyond consultation to the continuing collaboration which effective partnership working involves. But, too often, the reality has failed to match the rhetoric of partnership, and persistent problems and parochialism lurk beneath a glossy surface.

• Have local agencies really been involved in developing strategies? Is regeneration being done with communities or to them?

• How are partnerships structured? Do they fit the purposes and functions for which they have been set up? Do they allow participation from community groups and the private sector, or are the ground rules set by the local authority?

• Is there scope to merge or combine partnership groupings to reduce demands on both officer and partner time?

• How could partnership skills among officers be improved? Could training improve partnership skills both between agencies and between different departments and professional hierarchies within the authority?

• How does collaboration on strategic issues relate to collaboration on the ground? Are partnership arrangements having a visible impact on different agencies' activities, through reducing fragmentation and duplication, and through making new links between employers, citizens and services?

Making economic regeneration work

129. Regeneration is the big challenge for many local authorities; for others, anticipating economic change to ensure that their communities can sustain prosperity is a less visible, but no less important, objective. The problems faced by communities will vary from time to time, and from place to place, as will the capacity of different agencies to tackle them. An informed and integrated approach, which ensures that risk-taking is calculated rather than quixotic, is therefore essential. There is a great deal which local authorities can do on their own and with their partners to reduce fragmentation, and to increase the effectiveness of economic development and regeneration services. By clearer identification of what they are trying to do, what works and and how it can be done better, local authorities can engineer significant improvements in economic development. Through sustained and strategic engagement with other local agencies, stakeholders and communities – and by focusing on their own corporate impact as well as economic development service delivery –
they can lead the way in meeting the challenges that communities face. If those authorities that have demonstrated their capacity for leadership are given the flexibility and powers to fulfil that role, their chances of success can only be enhanced.

138. The time is ripe for change in economic development and regeneration:

- The first Urban White Paper since 1977 is currently being prepared;
- Government has announced proposals for Learning and Skills Councils and a new Small Business Service to improve delivery of vocational training and business support in England;
- RDAs and the National Assembly for Wales represent significant innovation in regional economic governance; and
- Local authorities’ new duty of best value and the proposed new duty to promote economic, social and environmental well-being are making local appropriateness and cross-cutting approaches paramount in service delivery.

Taken together, these changes offer all tiers of government the opportunity to cut through the current confusion of partnerships, schemes and services. If the opportunity is missed, the losers will be some of the most deprived people and communities in the country.
To local authorities

Develop an informed vision for the future of the local economy (paragraphs 65-79)

1. Analyse local patterns of economic change and economic disadvantage, ensuring that data is shared between agencies.

2. Identify opportunities and threats which lie ahead.

3. Identify areas of economic activity where intervention may be needed.

4. Set clear targets to evaluate the efficiency and effectiveness of economic development and regeneration activity.

Agree with partner agencies and communities a shared understanding of goals and processes (paragraphs 80-88)

5. Review number, membership and aspirations of different partnerships to ensure that the right agencies, communities and stakeholders are represented.

6. Make partnerships inclusive and engage the right partners from the outset.

7. Clearly define the roles of different partnerships, and devise exit strategies for time-limited partnerships.

Ensure that local people and businesses know about relevant support services and eliminate duplication of effort between agencies (paragraphs 89-88)

8. Review accessibility of services to clients of economic development and regeneration, including employers and jobseekers, and improve access (eg. through better signposting or outreach) where problems are apparent.

9. Identify where different agencies complement or conflict with each other’s services.
10. Where conflict or duplication exists between agencies or tiers, agree which agency can deliver most efficiently and effectively, and refocus resources appropriately.

11. Consider how different agencies can meet the needs of ‘hard to reach’ groups, either through direct provision or by strengthening community networks.

Ensure that economic development and regeneration objectives are reflected in the way that mainstream services are delivered (paragraphs 99-102)

12. Maximise the impact of core services such as planning, education, street cleansing and highways on the local economy – for example, through town centre management schemes or local business partnerships.

13. Ensure that the local authority’s asset-use and resources do as much as possible to promote local regeneration and local benefit.

To central government (paragraphs 117-123)

1.立法 as soon as practicable for the ‘new duty to promote economic, social and environmental well-being’.

2. Devise shared performance measurement systems that capture the long-term impact of different regeneration schemes and agencies.

3. Review the mechanisms for domestic and European regeneration funding to reduce duplication and bureaucracy, and to promote genuine partnership among local agencies.

4. Consider granting greater discretion and flexibility in regeneration funding to those authorities and partnerships which can generate a rigorous, informed and participative approach.
Appendix 1: Definitions of unemployment

Simple definitions of unemployment are elusive. The ‘headline’ figure, the claimant rate, represents the number of people claiming unemployment-related benefits as a percentage of the workforce (ie, those in work or jobseeking). To claim the main unemployment benefit, Jobseekers Allowance (JSA), jobseekers must be actively seeking work, and ready to start work immediately.

The International Labour Organisation (ILO) uses a slightly looser definition of jobseeking, which includes people who are ready to start work within a fortnight. In the UK, ILO unemployment rates (again calculated as a percentage of the workforce) are obtained through the quarterly Labour Force Survey (LFS). Because of the different definitions, these surveys tend to record a higher rate of unemployment as they not only include people who are ILO-unemployed but ineligible for JSA, but also people who are eligible for JSA but not claiming it. The LFS indicates that, in winter 1998/99, around 6 per cent of the English and Welsh workforce were ILO unemployed (Ref. 10).

A further group includes people who are neither in work nor actively seeking work and are therefore ‘economically inactive’. In England and Wales, around 21 per cent of people of working age were economically inactive in winter 1998/99 (Ref. 10). Many people do not look for work because, for example, they are in education, have health problems or family responsibilities, but the most prosperous areas tend to have far lower inactivity rates than more deprived areas [Exhibit 25]. This suggests that, for a sizeable proportion of people, economic inactivity is a matter of economic exclusion rather than unconstrained personal choice.

EXHIBIT 25

Economic inactivity rates (winter 1998/99) compared with deprivation in London boroughs and metropolitan districts

The more prosperous areas tend to have lower economic inactivity rates.

Source: LFS (Ref. 10) and 1998 Index of Local Deprivation (Ref. 7)
Unemployment can be measured at a range of geographical levels, including local authority areas. The most commonly used are travel-to-work areas (TTWAs). These are based on commuting patterns revealed in the 1991 census and defined as areas where 75 per cent of people who live in the area also work in the area (Ref. 25). There are 243 TTWAs in England and Wales. TTWAs do, therefore, reflect the areas within which people travel to work. In many areas, however, the perceived remoteness of jobs or difficulties in getting access to transport can be a significant barrier to employability for unemployed people. Thus unemployed people may have significantly smaller labour markets than those reflected by TTWAs, especially in urban areas with extensive commuting by those in work.

However unemployment is measured, the headline figure masks variation along several dimensions, one of which is spatial:

- In TTWAs, the claimant rate ranged from less than 1 per cent to more than 10 per cent of the workforce in May 1999. Within some local authority areas, the unemployment rate exceeded 14 per cent (Ref. 3).
- In 1996 (the last year for which local authority district-level survey data are available), ILO unemployment stood at 7.9 per cent overall; the rate was higher than 15 per cent in 11 authorities, and higher than 10 per cent in a further 78 (Ref. 51).
- In the same year, economic inactivity rates ranged from 10 per cent to more than 35 per cent of the population aged 16-59 in local authority districts (Ref. 51).

Another dimension to unemployment is ethnicity. In spring 1997, the unemployment rate was around 6.6 per cent among white people, 18.9 per cent among black people and 22.8 per cent among Pakistani and Bangladeshi people. In cases where people from ethnic minorities live in spatially concentrated communities, local and ethnic concentrations of unemployment may coincide (Ref. 52).
Appendix 2: A brief history of regeneration policy

Economic change is not new, though its nature develops as technologies and industries do. Since the Second World War, the UK government has developed a range of policy approaches to the problems of declining industries and excluded workforces. The current range of policies and schemes can be seen as the product of two strands of post-war policy: urban policy, which was traditionally concerned with social problems and the physical fabric in the inner cities, and regional economic policy, which was concerned with industrial relocation and development [BOX M].

<table>
<thead>
<tr>
<th>TIME</th>
<th>URBAN POLICY</th>
<th>FEATURES</th>
<th>REGIONAL POLICY</th>
<th>FEATURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940s–60s</td>
<td>New towns</td>
<td>Reconstruction and physical solutions</td>
<td>(Special) Development Areas</td>
<td>Relocation of industry away from the South-East</td>
</tr>
<tr>
<td></td>
<td>Clearance</td>
<td>Policies criticised for 'social pathology' (blaming victims for problems)</td>
<td>Industrial Development Certificates</td>
<td>Carrots and sticks to decentralise</td>
</tr>
<tr>
<td>Late 1960s–</td>
<td>Urban Programmes Community Development Projects</td>
<td>Structural problems acknowledged Decentralisation and New Towns halted</td>
<td>Regional Development Grants</td>
<td></td>
</tr>
<tr>
<td>1970s</td>
<td>Urban Partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late 1970s</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s</td>
<td>Urban Development Corporations Enterprise Zones</td>
<td>Private-sector-led regeneration Marginalisation of local government</td>
<td>Abolition of Industrial Development Certificates Abolition of Regional Development Grants Regional Selective Assistance</td>
<td>More laissez-faire approach and insistence on additionality and cost-effectiveness Need to match European Structural Funds</td>
</tr>
<tr>
<td>Late 1980s</td>
<td>Action for Cities City Action Teams Task Forces</td>
<td>Co-ordination of policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990s</td>
<td>City Challenge Single Regeneration Budget (SRB)</td>
<td>Competition Partnership Comprehensiveness Community engagement</td>
<td>Integrated Government Offices for the Regions</td>
<td></td>
</tr>
<tr>
<td>Late 1990s</td>
<td>New Deal for Communities (NDC)</td>
<td>Social exclusion Experimentation with new approaches</td>
<td>Regional Development Agencies (RDAs)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Atkinson and Moon 1994 (Ref. 53) and Audit Commission
It can be argued that, at times, the two policy strands have conflicted. For example, policies focused on moving industry and populations away from the old city centres may actually have contributed to urban problems rather than doing anything to alleviate them. Thus, the ending of decentralisation and New Town development in 1976 – and the publication of the Urban White Paper, Policy for the Inner Cities, in 1977 (Ref. 54) – can be seen as one policy watershed. Another came in 1991 with the launch of City Challenge. This represented a new approach to economic regeneration, investing £37.5 million of public money over five years into each of 31 regeneration areas. Local authorities – which had been marginalised in many 1980s initiatives – were invited to form partnerships (with communities as well as between agencies) and to bid for City Challenge status on the basis of their ability to devise and deliver innovative and comprehensive solutions to locally identified problems, as well as according to need. These solutions were to encompass physical development, opportunities for disadvantaged residents and linkage between disadvantaged areas and mainstream economies (Ref. 55).

The challenge approach was extended in 1994 with the creation of the SRB. This budget merged 20 different departmental grants within the administration of the then Department of the Environment. These grants (which included City Challenge) totalled £1.37 billion in 1997/98, of which £480 million was distributed through the new SRB Challenge Fund (Ref. 56). This fund offered local partnerships throughout England the opportunity to bid for regeneration funding for medium- to long-term regeneration projects. Government guidance describes the objective of the fund as ‘to help to improve local areas and enhance the quality of life of local people by tackling need, stimulating wealth creation and enhancing competitiveness’ (Ref. 57).

Regeneration funds such as City Challenge and the SRB share certain key features:

- **Longevity:** there is no formal guidance on the length of SRB projects, but 60 per cent of those approved in Rounds 1 and 2 were scheduled to last for more than five years.

- **Flexibility and local appropriateness:** Government guidance recognises that no two areas face the same problems, though it does set out seven key objectives for all SRB schemes (Ref. 57).

- **Partnership and community involvement:** while SRB is channelled through a single ‘accountable body’, bids for funding must be drawn up and submitted by a local partnership, comprising representatives of community and voluntary organisations as well as statutory agencies. This partnership is subsequently required to ‘appraise’ projects seeking funding within the scheme to ensure that they meet local objectives and can provide value for money.

- **Comprehensiveness and leverage:** SRB is designed to tackle social, environmental and economic problems, and to attract or re-focus expenditure from other sources, including other domestic public and private sector investment as well as European funds.
• Need and opportunity: both City Challenge and SRB used competitive bidding to balance the need for regeneration with the capacity of partnerships to deliver results. The use of competition has been controversial. To its supporters, it enables innovation and improves value for money; to its opponents, it excludes some of the most needy areas and diverts resources into expensive, and possibly futile, preparation of bids.

The Government elected in 1997 has set up a Social Exclusion Unit to coordinate responses to the problems of social exclusion and multiple deprivation, and a range of new schemes has been developed [EXHIBIT 26]. These include traditional urban and regional policy responses, as well as zones to pilot innovative methods of service delivery in deprived areas, and nationwide welfare-to-work policies such as the New Deals for unemployed people. The SRB is now in its fifth round, with some shift from the competitive allocation of funds to a proportion being earmarked for the most deprived communities in the country. Both the updated SRB and the £800 million NDC place a premium on effective and lasting community involvement in regeneration. At the same time, the Local Government Association (LGA) has launched the New Commitment to Regeneration, in partnership with Government, which is experimenting with better ways of integrating regeneration into the mainstream of partners' activities.

---

**EXHIBIT 26**

**Economic development and regeneration schemes in England 1998/99**

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>PURPOSE</th>
<th>COVERAGE</th>
<th>RESOURCES</th>
<th>SELECTION AND ADMINISTRATION</th>
<th>DEPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRB</td>
<td>'to help to improve local areas and enhance the quality of life'</td>
<td>Over 600 schemes (rounds 1-4)</td>
<td>£564 million (estimated 1998/99)</td>
<td>Allocation to local partnerships by mixture of competition and need</td>
<td>DETR/RDAs</td>
</tr>
<tr>
<td>NDC</td>
<td>Tackling social exclusion</td>
<td>17 pathfinders</td>
<td>£12.5 million in current year (£800 million total)</td>
<td>Partnerships (including community-led) in most needy areas</td>
<td>DETR/ Government Offices for the Regions (GORS)</td>
</tr>
<tr>
<td>Coalfields Initiative</td>
<td>Regeneration of coalfield communities</td>
<td>Former coalfields</td>
<td>£354 million over 3 years</td>
<td>National partnership bringing together existing funds</td>
<td>DETR</td>
</tr>
<tr>
<td>New Commitment to Regeneration</td>
<td>Better co-ordination of regeneration and mainstream spending</td>
<td>22 main pathfinders</td>
<td>Existing resources with flexibility.</td>
<td>Pathfinders selected on basis of innovative strategies and partnerships</td>
<td>LGA/DETR</td>
</tr>
</tbody>
</table>

*The schemes shown in this table are inevitably a selection. Other funding streams, such as the National Lottery, might or might not be included according to how broadly 'regeneration' is defined.*
<table>
<thead>
<tr>
<th>Scheme</th>
<th>Purpose</th>
<th>Coverage</th>
<th>Resources</th>
<th>Selection and Administration</th>
<th>Dept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Selective Assistance</td>
<td>Attracting investment and creating/safeguarding jobs in Assisted Areas</td>
<td>Three tiers of support proposed for 2000–06 (UK)</td>
<td>£785 million proposed for 2000–03</td>
<td>Grants cover up to 40 per cent of investment</td>
<td>DTG/GORs</td>
</tr>
<tr>
<td><strong>Associated area-based pilots and labour market schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment Zones</td>
<td>Tailored support for long-term unemployed people</td>
<td>5 prototypes 1998–2000; 13 fully-fledged from 2000</td>
<td>Primary legislation will enable budget pooling</td>
<td>Prototypes led by LAs and training and enterprise councils (TECs), in partnership with Employment Service (ES)</td>
<td>DfEE/ES</td>
</tr>
<tr>
<td>Education Action Zones</td>
<td>Improving educational performance</td>
<td>25 during this parliament</td>
<td>£1 million per zone per year for 3 years</td>
<td>Targeted at areas of need via partnerships</td>
<td>DfEE</td>
</tr>
<tr>
<td>Health Action Zones</td>
<td>Address health inequalities, improve services and develop partnerships</td>
<td>11 from April 1998, 15 more from April 1999</td>
<td>Flexibilities and £110 million 1998–2002</td>
<td>Partnerships including NHS, LAs, third and private sectors</td>
<td>DOH/NHS Executive</td>
</tr>
<tr>
<td>New Deal for 18–24 Year Olds</td>
<td>Personal assistance and four options, including supported employment</td>
<td>Nationwide (UK)</td>
<td>Windfall tax</td>
<td>Partnerships led by ES</td>
<td>DfEE</td>
</tr>
<tr>
<td>New Deal for the Long-Term Unemployed</td>
<td>Welfare to work for over 25s</td>
<td>28 pilots for 12–18 months unemployed; 28 pilots for 2 years unemployed (UK)</td>
<td>£129 million for 12–18 months; £350 million for 2 years</td>
<td>ES in partnership</td>
<td>DfEE/ES</td>
</tr>
<tr>
<td>New Deal for Lone Parents</td>
<td>Providing support to enable lone parents to enter employment</td>
<td>8 pilots (UK)</td>
<td>£200 million in this parliament</td>
<td>Through ES</td>
<td>DSS/DfEE</td>
</tr>
<tr>
<td>New Deal for Disabled People</td>
<td>Allowing people claiming incapacity benefit to work for trial period without losing benefit</td>
<td>13 in 2 tranches (UK)</td>
<td>£12 million for 1999/2000</td>
<td>First tranche led by ES; second tranche through bidding process</td>
<td>DfEE/DSS</td>
</tr>
<tr>
<td>New Start</td>
<td>Re-engaging 14–17 year olds who have dropped out of education, or are at risk of doing so</td>
<td>18 in first round</td>
<td>£4 million for first round</td>
<td>Partnerships including LAs, TECs, further education sector, schools, etc</td>
<td>DfEE</td>
</tr>
<tr>
<td>Sure Start</td>
<td>Helping parents and children in disadvantaged areas</td>
<td>250 planned by end of current parliament</td>
<td>£452 million over 3 years</td>
<td>Partnerships including voluntary and community sectors</td>
<td>DoH, DfEE, DETR</td>
</tr>
</tbody>
</table>
European programmes

Many domestic programmes are also supported by funding from the European Structural Funds. These funds, which allocated nearly £10 billion to schemes in the UK during 1994–99, are designed to contribute to the development of disadvantaged regions in the EU through complementing national and regional expenditure. Resources are drawn down from different funds for different purposes, some of which are national in coverage, others of which are allocated to regions and sub-regions according to European Commission criteria [EXHIBIT 27, overleaf].

Funds are allocated in accordance with single programming documents (SPDs) agreed between the Commission and member states. In the 1994–99 period, 30 such documents were prepared in the UK, most of which related to regional and sub-regional allocations of funding. Nationally, the ERDF is administered by the DETR and DTI, while the DfEE administers the ESE. Funds are distributed through the GORs, under the supervision of programme monitoring committees. In most cases, European funding requires matching funding from domestic sources, to ensure that the funds are additional to, rather than substituting for, domestic expenditure.

The structural funds are currently being revised for the period 2000–2006. The UK’s total allocation for the period will be around £10 billion to be distributed between three objectives:

- **Objective 1** will cover West Wales and the Valleys, Cornwall and South Yorkshire, as well as continuing in Merseyside (allocation is £3 billion);
- The areas eligible for **Objective 2** (which will include elements of the old Objective 5b) are currently being discussed (allocation is £2.6 billion); and
- **Objective 3** (which will also include the old Objective 4) will be nationwide in coverage, with separate programmes for England and Wales currently under discussion.
### Structural Fund allocations to the UK 1994-99 (ECU million (£ million in italics))

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>COVERAGE</th>
<th>EUROPEAN SOCIAL FUND (ESF)</th>
<th>EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)</th>
<th>EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND</th>
<th>FINANCIAL INSTRUMENT FOR FISHERIES GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1</td>
<td>Targeted at lagging regions (Merseyside, Highlands and Islands, N Ireland)</td>
<td>747</td>
<td>1,332</td>
<td>246</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>578</td>
<td>1,031</td>
<td>190</td>
<td>27</td>
</tr>
<tr>
<td>Objective 2</td>
<td>Targeted at declining industrial areas (13 in UK)</td>
<td>1,196</td>
<td>3,615</td>
<td>925</td>
<td>2,797</td>
</tr>
<tr>
<td>Objective 3</td>
<td>Nationwide (outside Objective 1 areas) to combat unemployment, social exclusion and promote equal opportunities</td>
<td>3,156</td>
<td>2,442</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 4</td>
<td>Nationwide to facilitate adaptation of workers to industrial change</td>
<td>244</td>
<td>188</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 5a</td>
<td>Nationwide to facilitate structural adaptation of agriculture and fisheries</td>
<td></td>
<td>186</td>
<td>144</td>
<td>89</td>
</tr>
<tr>
<td>Objective 5b</td>
<td>Targeted at vulnerable rural areas (11 in UK)</td>
<td>134</td>
<td>533</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Community Initiatives</td>
<td>Various (usually targeted)</td>
<td>748</td>
<td>658</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>594</td>
<td>509</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6,225</td>
<td>6,138</td>
<td>614</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,816</td>
<td>4,749</td>
<td>475</td>
<td>103</td>
</tr>
</tbody>
</table>

*Source: European Commission 1998 (Ref. 58)*

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1 ECU prices at time of allocations. Converted to pounds using ECU1.2924/£ as average 1994 exchange rate.
Wales's regeneration funding streams differ from England's. European funds are administered on broadly the same basis as in England, with the Welsh European Programmes Executive set up as a partnership company to support programme monitoring committees and to assist local agencies in bidding for funds. Wales also has a number of distinct funding arrangements:

- The Strategic Development Scheme (SDS) was introduced in 1994/95 to promote economic, environmental and social development. Since 1996, SDS funding for new approvals was gradually delegated to local authorities on the basis of a formula agreed between the Welsh Office and the Welsh Local Government Association. From 1999/2000, SDS allocations were included in authorities' credit approvals and revenue settlements, effectively representing the end of the scheme.

- Welsh Capital Challenge (WCC) supports larger projects and regeneration strategies, and is distributed by competitive bidding processes. In 1999/2000, the budget was around £30 million.

- The Local Authority Rural Scheme (LARS) was established in April 1997, with the transfer of £5.4 million capital from the WDA to the control of six (now seven) local authorities. The budget for 1999/2000 is over £6 million.

- People in Communities is a parallel programme to the New Deal for Communities in England, aiming to tackle social exclusion. Eight pilot community partnerships have been running programmes over the past year, supported by the programme as well as a special allocation of WCC. A similar number of authorities are expected in a second bidding round. The programme has been allocated funding of £1.75 million per year for the next three years.
Appendix 3: Performance measurement framework

Evaluation of the impact of economic and regeneration initiatives is difficult, but these difficulties are too often used as an excuse for neglect. A response to these difficulties requires a system which:

- assesses the impact of interventions (that is to say, the change in economic well-being) as well as the individual outputs and outcomes which can be attributed to different agencies;
- is portable between different agencies and schemes;
- enables comparison and learning without glossing over the profound differences in circumstance and consequent differences in approach between different areas; and
- provides incentives for good analysis and partnership working between agencies.

Such a system will require action from different government departments to become a reality: to avoid adding to the demands of current evaluation systems, it would need to replace current systems rather than supplement them. It is not for the Audit Commission to dictate the detail of performance measurement systems for a diverse range of agencies, partnerships and organisations. This appendix makes some suggestions as to ways in which Government and partnerships might seek to measure:

- the quality of partnerships and strategies themselves;
- the way in which resources are allocated in different areas and by different agencies;
- the cost-efficiency and cost-effectiveness of interventions in meeting their immediate aims; and
- the combined impact of interventions over the longer term.

If such a framework could be developed further, it would enable a new relationship between different tiers of government within regeneration funding regimes. Funders could establish the rigour and realism of a partnership from the outset, then allow integrated local performance monitoring against agreed measures, rather than insisting on monitoring the delivery of diverse and centrally dictated outputs. It would also put in place incentives for a rational, informed and strategic approach, and the sharing of best practice across England and Wales. The intention of this appendix is not to add to the already considerable burden of monitoring that local agencies undertake. Rather, it is to suggest some alternative measures which might be portable between different agencies and different projects, to develop a more integrated approach to evaluation and learning in economic regeneration.
Partnerships are as diverse as the problems they face, but the more real the integration of objectives and activity, and the more rigorous the analysis that underlies them, the more likely it is that a partnership will be able to deliver successful regeneration. Partnerships are already a prerequisite for accessing many regeneration funds. If local agencies want the flexibility to take longer-term views of regeneration and pool funding streams, demonstrating true partnership will assume ever greater importance.

Getting beneath the surface of local partnerships is complex. A formally constituted and high-profile partnership may hide significant dysfunction and conflict in one place, while low-profile and apparently ‘fuzzy’ joint working arrangements may be effective in other areas. Ultimately, the test of a good partnership is whether it achieves its aims, and – given the transaction costs of partnership working – does so more efficiently than agencies working in isolation would. The indicators listed below can therefore only inform a judgement rather than dictate it: the attitudes of different partners towards local arrangements may be as important as the actual configuration of such arrangements. Important indicators include:

- a checklist of partners who could be expected to be involved in economic or regeneration partnerships (depending on purpose);
- the extent to which those partners were given the opportunity to participate actively in the development of a strategy, as opposed to being consulted on a more or less completed draft;
- the data and professional expertise used in analysing the strengths and weaknesses of the local economy, and the opportunities and threats facing it (for example, local area employment figures, skill levels, growth industry sectors, land and premises availability), and the extent to which strategic priorities appear to reflect that analysis;
- the extent to which the partnership actually has clear and agreed objectives, reflected in overall targets and interim milestones;
- the extent to which targets and interim milestones have been met or achieved;
- the degree of agreement on giving priority to different areas, sections of the population and industry sectors, and the degree of specification of these;
- the success of a partnership in attracting external funding (compared with others with similar levels of deprivation); and
- the attitudes of different partners to the strategy and partnership, and the evidence of its incorporation into their own planning processes.
Within local authorities, the current method for reporting economic development is opaque to say the least. In their annual economic development plans, some authorities break down expenditure by strategic objective, some by intervention, some by whether spending is capital or revenue, and some by none of these. Other agencies' reporting requirements diverge further from this already complex picture. Some authorities, such as Salford City Council, have endeavoured to make the annual economic development plan a shared document by identifying different partners' contributions to different objectives. This approach should be adopted more widely; when a long-term perspective and a partnership approach are held to be paramount in economic development and regeneration, an approach to planning which focuses on annual spending by a single agency seems perverse.

The categories developed in the Audit Commission's questionnaire on economic development and regeneration (sent to all authorities in October 1998) may provide a useful starting point for comparing inputs [BOX N]. The Audit Commission will discuss with CIPFA how these categories could be used more widely and integrated with CIPFA's own categories.

**BOX N**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ACTIVITIES INCLUDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Developing strategies and strategic partnerships, collection of economic intelligence, lobbying for eligibility for regeneration funding, overall evaluation of economic development and regeneration.</td>
</tr>
<tr>
<td>Town centre management</td>
<td>Employment and management of staff dedicated to co-ordinating the development of retail centres.</td>
</tr>
<tr>
<td>Bidding</td>
<td>Preparing or helping other agencies to prepare bids for regeneration funding.</td>
</tr>
<tr>
<td>Training and employability</td>
<td>Training and other services delivered to local people to improve employability.</td>
</tr>
<tr>
<td>Inward investment marketing</td>
<td>Promoting the local area as a destination for inward investment.</td>
</tr>
<tr>
<td>Business support</td>
<td>Information, advice and support for local businesses, including grants.</td>
</tr>
<tr>
<td>Industrial and commercial premises</td>
<td>Cost of developing and maintaining industrial and commercial premises for local companies.</td>
</tr>
<tr>
<td>Site reclamation</td>
<td>Identifying, reclaiming and assembling sites for development for employment purposes.</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
Partners' outputs

Output indicators are of three main types [box 0, overleaf]:

- Indicators of take-up, which assess the extent to which schemes and interventions are accessible to, or accessed by, their target client groups;

- Indicators of cost efficiency, which judge the unit cost of a type of intervention, such as the cost per training hour delivered; and

- Indicators of effectiveness and cost-effectiveness, which assess the achievement of individual outcomes, and the unit costs involved, such as the cost per long-term unemployed person successfully finding work through a scheme.

Which indicators are applicable will clearly depend on the nature and depth of the problems being addressed and this should be borne in mind when making comparisons between performance in different parts of the country. Performance can be compared between different interventions or delivery mechanisms within a single partnership. Comparing performance and ensuring competitive delivery are key elements of the best value regime, so solid evidence of which agency is best equipped to deliver different interventions should be a key element of the local best value reviews.

Often, several agencies are involved in a package of support for a particular project. In these cases, outputs will have to be allocated according to the level of input, to prevent double counting.
### Suggested output and outcome indicators

<table>
<thead>
<tr>
<th>INTERVENTION</th>
<th>OUTCOME/MEASUREMENT</th>
<th>TEAR-DOWN EFFECTIVE NOS</th>
<th>OTHER NOTES/ BREAKDOWNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and employability</td>
<td>Percentage of target group achieving employment</td>
<td>Cost per additional outcome (e.g., a job)</td>
<td>Further breakdowns by type of client/training (as defined by skill levels, length of unemployment, etc.)</td>
</tr>
<tr>
<td>Local labour/supply</td>
<td>Number of completions signed up to job opportunities</td>
<td>Cost per additional outcome (e.g., a job)</td>
<td>Percentage of success in local construction projects from local supply</td>
</tr>
<tr>
<td>Community economic development</td>
<td>Number of community initiatives completed</td>
<td>Cost per additional outcome (e.g., a job)</td>
<td>Drawing the line between businesses and community enterprises can be subjective</td>
</tr>
<tr>
<td>Site development/environmental</td>
<td>Number of hectares of brownfield land treated</td>
<td>Cost per additional outcome (e.g., a job)</td>
<td>Need to take account of different levels of contamination or types of end use</td>
</tr>
<tr>
<td>environmental regeneration</td>
<td>Number of hectares of site treated</td>
<td>Cost per additional outcome (e.g., a job)</td>
<td>Ensure that any other incentives are included when calculating cost per job, to avoid double counting</td>
</tr>
<tr>
<td>INTERVENTION</td>
<td>OUTCOME</td>
<td>MEASUREMENT</td>
<td>OTHER NOTES/BREAKDOWNS</td>
</tr>
<tr>
<td>-------------</td>
<td>---------</td>
<td>-------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Industrial unit management</td>
<td>Cost per business supported</td>
<td>Cost per unit of support provided</td>
<td>Need to distinguish between commercial units and units providing different degrees of support. Need to ensure that jobs are not counted elsewhere (for example, by grant regimes/start-ups) as well.</td>
</tr>
<tr>
<td>Business support (non-financial: advice, etc)</td>
<td>Number of businesses supported</td>
<td>Cost per business supported</td>
<td>Need to avoid double counting and take account of differing intensity of support.</td>
</tr>
<tr>
<td>Business support (grants etc)</td>
<td>Average grant per business</td>
<td>Cost per business supported</td>
<td></td>
</tr>
<tr>
<td>Industrial promotion</td>
<td>Number of enquiries received</td>
<td>Cost per enquiry answered</td>
<td>Difficulty of determining additinality and avoiding double counting, especially where several agencies or incentives are involved. Problems of sub-national inward investment and displacement.</td>
</tr>
</tbody>
</table>
### Partnership impacts

The measurement of outputs and outcomes of individual initiatives is valuable in ensuring the most effective means of service delivery and the best use of public money, but it does not address issues of additionality or reflect the extent to which partnerships actually achieve a combined impact within the local economy. To take account of these issues, partnerships should also monitor their overall impact on the local economy. This is, of course, obscured by many factors, but comparison between partnership areas over time can indicate (though not demonstrate) which partnerships have been most successful in having an impact on the local economy.

The indicators used to assess impact will have to reflect both partnerships' priorities and objectives, and the availability and accuracy of data. Some indicators, such as unemployment and long-term unemployment rates, or unemployment rates among particular residential or ethnic communities, are focused on the traditional aims of economic development. Others, such as the proportion of particular populations claiming council tax benefit or income support, or the proportion of hard-to-let dwellings on particular estates reflect poverty and quality of life issues [BOX P].

### BOX P

#### Impact indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in adult unemployment numbers and/or rate (claimant or ILO)</td>
<td>Employment Service (ES) or Labour Force Survey (LFS)</td>
</tr>
<tr>
<td>Changes in number of long-term (1 year+) unemployed</td>
<td>ES data</td>
</tr>
<tr>
<td>Changes in economic inactivity levels</td>
<td>LFS</td>
</tr>
<tr>
<td>Business confidence</td>
<td>Surveys with chamber of commerce</td>
</tr>
<tr>
<td>Proportions of businesses reporting hard-to-fill vacancies</td>
<td>Surveys with chamber of commerce</td>
</tr>
<tr>
<td>Change in GDP per head</td>
<td>Available from Office for National Statistics (ONS) at County and/or NUTS3 European geographies</td>
</tr>
<tr>
<td>Changes in business stock</td>
<td>VAT registration and deregistration records</td>
</tr>
<tr>
<td>Change in employment (workforce-based)</td>
<td>Annual employment survey</td>
</tr>
<tr>
<td>Changes in number and proportion of council tax benefit or income support claimants</td>
<td>Local authority records</td>
</tr>
<tr>
<td>Changes in the proportion of tenants wishing to move out of estates/difficult-to-let dwellings</td>
<td>Local authority records</td>
</tr>
<tr>
<td>Residents' views of viability of area/fear of crime</td>
<td>Survey</td>
</tr>
<tr>
<td>Changes in population (especially mobile groups such as 25–34 year olds)</td>
<td>Census/mid-year estimates</td>
</tr>
<tr>
<td>Changes in number of voluntary or community groups and membership</td>
<td>Surveys or local authority records</td>
</tr>
<tr>
<td>Change in property prices (commercial/residential)</td>
<td>Surveys by building societies and banks</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
These indicators can also be used to pose questions about how different areas' economies have developed. Why, for example, have areas which started the 1990s with a similar economic and social profile diverged during the course of the decade? Is it a matter of geography, of luck, of local strategies? A rigorous approach to assessing long-term impact will help local partnerships take account of problems of additionality, and of the requirement for comprehensive solutions to complex problems, as well as enabling learning between communities and partnerships tackling similar situations.

They should also be integrated with other indicators and measures set by Government. The Government’s guidance for RDAs has identified certain core indicators at the regional level, including GDP per head and per worker-hour, percentage of employees undertaking work-related training in the last 13 weeks and number of jobs created and safeguarded (Ref. 14). The DTI have also developed Regional Competitiveness Indicators, which include measures of industrial competitiveness, average earnings, business survival rates and industrial property costs (Ref. 59). DETR meanwhile, has developed indicators of sustainable development, among which key indicators address industrial growth, protection of the environment, prudent resource use and quality of life issues. These can be used to set regeneration in a wider sustainability context (Ref. 60). The degree to which these different indicators are available at the local level, or reflect the aims of local strategies, will vary, but where there is overlap between national, local and regional priorities, local authorities and their partners should endeavour to use the same definitions and datasets for their indicators.

Choosing comparator authorities

Effective comparisons will require identification of comparative groupings which reflect local authorities’ diverse situations. Local partnerships may wish to choose or tailor their own, to reflect what they see as the critical issues locally. There are also off-the-shelf groupings of local authority areas: one example of these is the ONS’s standardised family groupings which use a total of 37 variables from the 1991 Census (Box Q, overleaf). This has been updated to reflect local government re-organisation, and a revised version is due to be issued in autumn 1999.
BOX Q

The ONS’s standard family groups

This classification uses a total of 37 variables from the 1991 Census, covering the following issues:
- age and ethnic profile;
- household composition and mobility;
- limiting long-term illness rates;
- social class and higher education qualification;
- use of public transport and private car ownership;
- housing (size, type, central heating and tenure);
- employment and unemployment levels; and
- employment in different industry sectors.

Local authorities are divided into a hierarchical classification of 6 families, 12 groups and 34 clusters, which are given shorthand names identifying key characteristics.

An example is mining and industrial areas (F), ports and industry (G), areas with inner city characteristics (C), which comprises Barking and Dagenham, Great Grimsby, Kingston-Upon-Hull, Knowsley, Liverpool, Manchester, Middlesborough and Nottingham.

Source: Wallace and Denham 1996 (Ref. 16)
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* Members served on the Advisory Group for only part of the study.
Glossary

AES  Annual Employment Survey: An annual survey of employees categorised by size of employer, industry category and area.

BL  Business Link: Business link partnerships are DTI sponsored business-led organisations that exist to enhance the competitiveness of SMEs through the provision of business advisory services.

CCTE  Chambers of Commerce, Training and Enterprise: A merger of a TEC and a chamber of commerce.

CIPFA  Chartered Institute of Public Finance and Accountancy.


CPO  Compulsory Purchase Order. Used by local authorities to compulsorily purchase any land in their area that is suitable for, and required in order to secure, the carrying out of development, redevelopment or improvement.

CU  Credit Union: A credit union is a scheme set up on a not-for-profit basis with the aim of providing low cost loans for people without their own capital resources or the means of securing them through the commercial banks.

DfEE  Department for Education and Employment

DETR  Department of the Environment, Transport and the Regions

DoH  Department of Health

DSS  Department of Social Security

DTI  Department of Trade and Industry

EP  English Partnerships: Former agency of the DETR created in 1993 to facilitate land- and property-based regeneration in areas of need throughout England. Its main functions have now been taken over by the RDAs.

ERDF  European Regional Development Fund: One of the four European Structural Funds, the European Regional Development Fund provides financial assistance for disadvantaged regions.

ES  Employment Service: An agency of the DfEE which manages Jobcentres.

ESF  European Social Fund: One of the four European Structural Funds, designed to help the long-term unemployed and other economically disadvantaged groups.

FEFC  Further Education Funding Council: Funds colleges and other further education institutions.
| GDP       | Gross Domestic Product: A measure of the value of goods and services produced in a year. |
| GOR      | Government Office for the Regions: Integrated regional offices comprising DTI, DfEE and DETR regional staff, as well as staff from other government departments. |
| IBB      | Invest in Britain Bureau: An agency of the DTI which is responsible for promoting the UK to potential inward investors. |
| ILM      | Intermediate Labour Market: A scheme designed to help long-term unemployed people into employment through the provision of subsidised work placements serving socially useful purposes, often combined with vocational training. |
| ILO      | International Labour Organisation: UN agency which deals with employment and labour market issues and whose mission is to improve standards and conditions of work and to encourage productive employment throughout the world. Sets standard international definitions of unemployment. |
| JSA      | Jobseekers Allowance: A benefit for unemployed people who are actively seeking and available for work. |
| LARS     | Local Authority Rural Scheme: Funding scheme to support small rural schemes in Wales, delegated by the National Assembly for Wales to seven local authorities. |
| LETS     | Local Exchange and Trading Scheme: A type of community economic development scheme that aims to help regenerate impoverished communities through allowing local residents to exchange skills on a points system rather than on a monetary basis. |
| LFS      | Labour Force Survey: A quarterly survey carried out by the ONS collecting information from individuals about their employment. |
| LGA      | Local Government Association |
| NDC      | New Deal for Communities: A multi-million pound regeneration funding programme administered by the DETR through the GORs, which is intended to encourage greater community involvement in the way that regeneration resources are deployed. |
| NOMIS    | ONS's on-line database of official labour market and related statistics managed under contract by Durham University. |
| NUTS3    | Nomenclature des Unités Territoriales Statistiques: Geography used by European Commission in deciding eligibility for European Structural Funds. |
| ONS      | Office for National Statistics |

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RDA  Regional Development Agency: Regional development agencies came into being on 1 April 1999 for all English regions (except London) to provide a stronger vision and strategic integration for all the different agencies and stakeholders, with a remit to tackle social exclusion and to promote economic development and regeneration and environmental sustainability. London will have its own London Development Agency from July 2000.

RDO  Regional Development Organisation: Regional development organisations were regional organisations, funded by DTI and other public and private sector contributions, to promote inward investment in the regions. They have now been taken over by the RDAs.

RSA  Regional Selective Assistance: Financial incentives administered by the DTI through GORs and the National Assembly for Wales for companies to create or retain employment in designated areas of the UK as a means of tackling barriers to economic growth.

SDS  Strategic Development Scheme: A funding scheme run by the former Welsh Office between 1994 and 1999 for local authorities to promote economic, social and environmental development in areas of particular need.

SMEs  Small- and medium-sized enterprises


SRB  Single Regeneration Budget: A large-scale regeneration funding scheme administered by the DETR through the GORs which is designed to maximise the impact of these resources through partnership working and community involvement.

TCM  Town Centre Management

TEC  Training and Enterprise Council: Training and enterprise councils are independent local companies led by business people working under performance-related contracts to the DTI to encourage economic growth through training and enterprise support.

TTWA  Travel-to-Work Area: A geographical area defined by the ONS as approximating to a self-contained labour market where people both live and work.

WCC  Welsh Capital Challenge: A capital funding scheme for local authority regeneration projects administered by the National Assembly for Wales.

WDA  Welsh Development Agency: A public body sponsored by the National Assembly for Wales with four key programmes: new business creation; existing business development; business infrastructure and community regeneration.
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The Audit Commission has produced a number of reports covering issues related to economic development and regeneration. The following may be of interest to readers of this report:

All Aboard
Support for Local Transport and Travel in Urban Areas Outside London

A Measure of Success
Setting and Monitoring Local Performance Targets
Management Paper, February 1995, 60 pages, 1862401452, £15

Safety in Numbers
Promoting Community Safety

A Fruitful Partnership
Effective Partnership Working
Management Paper, 1998, 32 pages, 1862400355, £15

Misused Youth '98
The Challenge for Youth Justice
Update, 1998, 88 pages, 1862400565, £15

Promising Beginnings
A Compendium of Initiatives to Improve Joint Working in Local Government

Capital Gains
Improving the Local Government Capital Expenditure System

It's a Small World
Local Government's Role as a Steward of the Environment

Rome Wasn't Built in a Day
Getting Value for Money from Capital Programmes and Construction Projects
Special Pack of 10 copies, 1862400121, £20

Just Capital
Local Authority Management of Capital Projects
National Report, 1996, 68 pages, 0118864351, £12

Urban Regeneration and Economic Development:
The Local Government Dimension
National Report, 1996, 0117010458, (Out of print)

Local Authority Property:
A Management Overview
National Report, 1998, 0117010677, £26.00
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Economic development and economic regeneration are crucial policy objectives, both in tackling social exclusion in declining areas and in maintaining the quality of life in more prosperous communities. They are not standard services delivered to a national template, but local responses to local problems, requiring an innovative, long-term and inclusive approach.

Local authorities can have a major impact on economic development, through core services such as planning and education, by providing economic development services to ‘clients’ such as local employers and jobseekers, and through working with agencies and communities to form long-term economic strategies. Some councils lead the field, but there are still common patterns of fragmentation and duplication in the delivery of services on the ground, and many partnerships struggle to develop a genuinely rigorous and integrated approach to the problems that they face.

In a fast-changing world, local authorities and their partners need to consider carefully whether the services they provide really offer the best chance of achieving their aims, or whether new approaches might be more appropriate. This report identifies the problems with the current planning and delivery of services, and offers guidance to local and central government on how they could be improved. With the arrival of regional and Welsh economic governance, and with best value around the corner, the report is essential reading for all those concerned with the economic well-being of their communities.

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