Urban Regeneration and Economic Development

The Local Government Dimension

The Audit Commission for Local Authorities in England and Wales
Urban Regeneration and Economic Development

The Local Government Dimension
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Summary

Although the UK economy continues to grow rapidly, urban problems remain. They differ from place to place in character and intensity. Sometimes whole inner cities are affected, in other places there are deep pockets of deprivation alongside prospering communities, elsewhere the problem is located in urban fringe estates. Some of the most intractable problems are as much social as economic.

There is now little argument about the proposition that private sector-led growth is the main long-term answer to urban deprivation. Those local authorities which attempted to operate their own 'planned economy' strategies now recognise the need to support rather than resist local business initiatives and acknowledge the primacy of economic development as the long-term answer to deprivation.

But there remains a case for intervention by government. Central government accepts this case, though it emphasises the importance of a careful definition of the circumstances in which intervention is justified. This is where environmental problems, public good issues or externalities inhibit the natural operation of the market.

Local government has an important role to play in this intervention. In part that is so because of its responsibility for the main local services, such as education, planning, roads and housing, but also because it has specific powers to support economic development. Just as importantly, local authorities identify closely with the interests of their local area and can generate leadership and inspire confidence over a sustained period.

The most critical need is for the three major actors in urban regeneration - central government, local government and the private sector - to pull together. This does not always happen now.

There are important sources of friction, particularly in the relationship between central and local government, which is the Commission's main concern. These are:

— local authorities believe that their role is undervalued by central government. They see themselves as increasingly marginalised. This is unfortunate when, at bottom, there is a near identity of view between them;

— government support programmes are seen as a patchwork quilt of complexity and idiosyncrasy (Exhibit 1). They baffle local authorities and business alike. The rules of the game seem over-complex and sometimes capricious. They encourage compartmentalised policy approaches rather than a coherent strategy;

— key organisational structures have fallen into disrepair. Some partnership schemes do not in practice operate.

These problems could and should be overcome. To do so requires a greater consistency of approach and coordination by central government. It also requires a willingness to recognise the
appropriate role of local authorities. Their ability to respond to local circumstances should not be unreasonably constrained.

Local authorities themselves must organise their urban regeneration efforts more effectively. They must integrate them into policy choices on their main programmes, acquire appropriate skills and acknowledge explicitly the limits of their role as enabler, leader and catalyst. They must develop only strategies which they have a realistic chance of achieving.

The basis for these redefinitions should be a clear-sighted assessment of the needs of each deprived urban area: a local regeneration audit, developed in conjunction with the private sector and the local offices of central government departments. This should be the essential background against which the well-intentioned efforts of all sides can be better coordinated. Local authorities themselves can play an important leading and coordinating role.
Introduction

1. In the last two years the economy has grown more rapidly than at any time since the second world war. Indeed, since the trough of the recession in mid-1981 the UK economy has grown faster than any other in the EC. Unemployment has fallen every month for the last three years. Many towns and cities are experiencing very visible regeneration. This is true not only in London and the South but also in the depressed areas of the North. Cities such as Manchester and Hull show many of the same signs of reconstruction and activity as Swindon and Slough.

2. But there is still an inner-city problem. It exists in two dimensions: spatial and social. There are areas of all cities - even the prosperous ones - which have not shared the fruits of national growth. And there are sections of the community - the unskilled, long-term unemployed, those with disabilities, single parent families and ethnic minorities - who have experienced, at best, only indirect benefits. At worst, growth can disbenefit such people living in the urban areas. David Trippier MP has referred to:

'areas ... so weighed down by their disadvantages that they have continued to decline against the national trend. Their residents have watched from the sidelines as an economic renaissance has unfolded around them in which they have had little part. Many of the most able and enterprising have left to contribute to the new prosperity elsewhere, leaving behind them a serious social imbalance and hastening the spiral of decline' (Reference 1).

3. These problems are not confined to the inner cities; nor to areas on the wrong side of the north-south divide. Smaller towns have experienced many of the problems of the large cities. There are pockets of deprivation in otherwise prosperous areas. Less than a mile from some of the highest rental value office space in the world there are, in Southwark, areas of almost Dickensian appearance and high unemployment. Within the cities themselves, deprivation is often now concentrated on outer, run-down housing estates, distant from a newly regenerated city centre.

4. Urban regeneration in its widest sense must be concerned with both social and economic issues. Areas of deprivation often suffer from low educational attainment, high morbidity and poor housing conditions, as well as low economic activity. Local government is in the front line of those trying to cope with these problems. Bad housing and homelessness, poor health and social conditions, and high unemployment have always been the concern of local as well as central government. A local authority can contribute directly to urban regeneration and economic development as a planning authority, as a provider of infrastructure and services, and as the major deliverer of education and training. Local authorities have also sought to promote the interests of their communities through programmes aimed at urban recovery. They may also, perhaps unwittingly, have contributed to the problems at the same time. High rates or over-restrictive
planning policies have been perceived by the private sector as creating an unhealthy business climate, so discouraging investment.

5. The role of local government in economic development is necessarily limited. Any local economy is subject to major national and international influences, and a local authority does not have the ability or power to revitalise its area single-handed. But local government is able to influence some of the supply side factors which contribute to the concentration of economic problems in particular areas. Theoretically the operation of the free market should result in an efficient allocation of resources. But these conditions are never met in full: there are certain public goods and services which the market is unable to provide efficiently, or at all. Nor will the efficient operation of the market necessarily result in a distribution of income or wealth which the nation as a whole considers desirable. These limitations of the market economy can only be remedied by either public sector intervention or, in some cases, collaborative action within the private sector. Where market inefficiencies are locally based the local authority will inevitably have a contribution to make.

6. What local authorities can and should do is very much affected by central government policy and actions. The government's direct initiatives, as well as its influence on local authorities (in terms of funding and activities), have a fundamental impact on efforts to promote urban regeneration. The rapid changes in the economy since the early 1980s have been paralleled by increasing government involvement in the inner cities. Last year saw the launch of the *Action for Cities* package of measures to address urban problems:

>'The Government is determined to build on a strong economy a new vitality in our inner cities ... We are embarked on a great enterprise which will ... carry our towns and cities into the 21st century in much better shape ...'

(Prime Minister's speech: March 1988).

7. Since then there has been a series of government initiatives to address urban problems (Exhibit 2), most recently in the Local Government and Housing Bill, currently before Parliament. The proposed powers for local economic development and other associated measures contained in the bill will rationalise the existing legislation, and provide a new framework for local authority economic development activity.
**Exhibit 2**

**CHRONOLOGY OF CENTRAL GOVERNMENT INITIATIVES (ENGLAND & WALES)**

The pace of central government initiatives is increasing.

<table>
<thead>
<tr>
<th>Year</th>
<th>DOE</th>
<th>DE</th>
<th>DTI</th>
<th>Other</th>
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<tbody>
<tr>
<td>1981</td>
<td><em>LDDC &amp; MDC set up</em>&lt;br&gt;<em>First EZs set up</em>&lt;br&gt;<em>Merseyside Task Force</em></td>
<td></td>
<td><em>Loan guarantee scheme for small businesses set up</em>&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td><em>UDG introduced</em>&lt;br&gt;<em>Additional EZ</em></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1983</td>
<td><em>Further 8 EZs</em>&lt;br&gt;designated</td>
<td><em>YTS introduced</em>&lt;br&gt;<em>TVEI introduced</em>&lt;br&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td><em>3 further EZs</em>&lt;br&gt;</td>
<td></td>
<td><em>New assisted areas</em>&lt;br&gt;<em>Revised Regional Development Grant</em>&lt;br&gt;</td>
<td></td>
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<tr>
<td>1985</td>
<td></td>
<td><em>CATs set up</em>&lt;br&gt;<em>WRNAFE programmes introduced</em>&lt;br&gt;</td>
<td><em>Wider remit for English Estates</em>&lt;br&gt;</td>
<td></td>
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<tr>
<td>1986</td>
<td></td>
<td></td>
<td><em>First 8 Task Forces</em>&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td><em>UPMI introduced</em>&lt;br&gt;<em>New UDCs announced</em>&lt;br&gt;<em>URG introduced</em>&lt;br&gt;<em>Simplified planning zones</em>&lt;br&gt;</td>
<td><em>Further 8 Task Forces</em>&lt;br&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td></td>
<td></td>
<td><em>Welsh Valleys initiative</em>&lt;br&gt;<em>Safer Cities Programme (Home Office)</em>&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td><em>Further UDCs</em>&lt;br&gt;<em>City Grant introduced</em>&lt;br&gt;<em>Additional EZ</em>&lt;br&gt;announced</td>
<td><em>ET introduced</em>&lt;br&gt;<em>30 Inner City Compacts</em>&lt;br&gt;</td>
<td><em>Regional Enterprise Grants</em>&lt;br&gt;<em>Enterprise Initiative</em>&lt;br&gt;<em>RDG abolished</em>&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>2 more CATs</em>&lt;br&gt;set up</td>
<td><em>2 more Safer Cities</em>&lt;br&gt;<em>European Structural Forces reformed</em>&lt;br&gt;</td>
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*since transferred to DTI  †since transferred to DE*

8. Though Action for Cities has given the inner cities new prominence there has for many years been an urban dimension to central government’s economic development policies. In recent years the ends, if not the means, have been common ground across the political divide:

| 1977 White Paper | 1987 Queen’s speech |
| Reference 2 | |

'The Government intend to ensure so far as practicable that their policies and programmes are given an inner city dimension and priority in order to assist the regeneration of these areas'

'In all these policies my Government will have special regard to the needs of the inner cities. Action will be taken to encourage investment and to increase enterprise and employment in those areas'
9. Development of urban policy at the national level has been matched at the local level by the efforts of individual councils. But relationships between the two have not always been harmonious. The early years of the present government were marked by arguments over policy, strategy and delivery of the means of urban regeneration. In part these arguments reflected genuine differences of view on the best way of overcoming urban decline; but beneath them lay a wider philosophical debate about the nature and role of local government. Some councils even saw this role as being to counter the impact of macroeconomic policy on their areas through increased town hall spending.

10. These issues are no longer in the foreground. The government's view has, in the main, prevailed. There is increasingly wide acceptance that the private sector is the primary engine of urban regeneration and that the public sector's role is to facilitate this process. Urban Development Corporations (UDCs) are a reality in 11 areas and local authorities cooperate with them; private sector-led regeneration is taking place on a national scale, aided by direct financial assistance from central government to developers, largely by-passing local government. There is less evidence now of unproductive effort by councils and a greater degree of coherence, coordination and pragmatism.

11. But in the Audit Commission's view neither central nor local government seem fully to have recognised that the gap between them on the most appropriate way to overcome urban problems is now much narrower. This failure in recognition is unfortunate since, in the long run, regeneration efforts will only be successful if all governmental agencies pull together. The success of the new City Grant, for example, will be very much affected by the attitude and activities of local councils - local authorities can encourage developers to bring forward projects, and have an important input in relation to planning and highway matters. The extent to which local authorities are, or need to be, involved in regeneration efforts, varies from scheme to scheme. Different initiatives require different types of partnership, but there is always some way in which the local authority can help (Exhibit 3).

Exhibit 3
CENTRAL - LOCAL GOVERNMENT INTERACTIONS
Different initiatives require different types of partnership
12. The prime purpose of this report is to suggest ways in which the friction between different agencies can be reduced. Current initiatives provide opportunities for both partnership and conflict (Exhibit 4). There is a strong case for saying that the totality of effort devoted to urban regeneration is less than the sum of its parts. The Commission makes no apology, therefore, for focusing on how existing plans and programmes can be made to work better, rather than proposing yet more novel initiatives with catchy acronyms.

Exhibit 4
THE REGENERATION PARTNERS
Current initiatives provide opportunities for partnership - and conflict

13. This report has been prepared under Section 27 of the Local Government Finance Act 1982, which empowers the Audit Commission to examine the impact of central government's statutory provisions on the economy, efficiency and effectiveness of local authorities. The Commission's study has therefore concentrated mainly on the interface between central and local government. It has examined the operation of the government's initiatives targeted on urban regeneration and economic development, to the extent that they have an impact on local authorities. The report also looks briefly at local government's activities in value for money terms (under Section 26 of the Act) in so far as they can be evaluated in this way.

14. As with previous Audit Commission studies the scope and specification have been the subject of extensive consultation with, in particular, the Department of the Environment (DOE) and local authority associations - the AMA, ACC and ADC. An advisory group of officers drawn from member authorities of the three associations has monitored progress on the study and contributed advice and guidance.

15. Work on the study was mainly carried out by Greg Birdseye, Graham Fletcher, Joy Tight and Rob Sheldrake under the direction of Doug Edmonds. Assistance was also provided by Bill Miles (former Chief Executive of Gateshead MBC and of West Yorkshire County Council).
Advice during the study was sought from external consultants, including several academic specialists and practitioners, as listed in Appendix C.

16. The study team reviewed available data from several sources, including surveys carried out by the ADC, AMA, London School of Economics and Lancaster University. Visits were made to many national and local bodies, including agents of central government. (These are shown in Appendix B.) The Commission has also reviewed previous research, such as that carried out by the Economic and Social Research Council (ESRC) Inner Cities research programme, and work sponsored by the DOE.

17. In addition to making use of this research by other bodies, the Commission's own study team carried out an extensive programme of fact-gathering and structured interviews at a wide range of local authorities. Pilot studies were carried out in several authorities, before main field work in two London boroughs, two metropolitan districts, four shire districts and five counties. These were augmented with shorter visits to a number of other authorities.

18. The selection of study authorities reflected type and geographical location, as well as other relevant characteristics. Appendix A lists all the authorities visited together with the criteria which influenced the choice. The wide spread of authorities visited provided a good sample in terms of size, type and location, representative of the range of local government activity and the problems experienced. Though the prime focus of the study is the larger urban areas, the study also considered the problems of some rural areas and small towns where a similar combination of factors can produce dereliction and decline. Finally, the Commission carried out its own postal survey of local authority promotional material. Responses were received from 319 authorities (nearly three-quarters of those contacted).

19. The main body of the report is structured in four Chapters:

- **Chapter 1** reviews the context: the economic background against which urban regeneration policies operate;
- **Chapter 2** describes the frictions at the interface between central and local government;
- **Chapter 3** examines the urban regeneration activities of local authorities themselves;
- **Chapter 4** sets out the Commission's view of the way forward, and particularly what could be done to enhance the coordination of local strategies.

A description of the contributions of the private and voluntary sectors and of relevant grant schemes administered by central government is given in Appendix D.
1. The Context

URBAN PROBLEMS - WHY A CAUSE FOR CONCERN?

20. There has always been an inner city problem, and perhaps always will be. Cities tend to attract displaced workers from elsewhere, migrants and rootless young people. And high population density in itself brings social and environmental problems of a different order to those seen elsewhere. But the particular current problems of Britain's inner cities have their roots in a shift in the nature of Britain's industrial base.

21. Between 1951 and 1981 (the most recent date for which this breakdown is available) over a million manufacturing jobs were lost in the inner areas of the six largest urban areas in Great Britain (Exhibit 5) with equally significant losses in the outer metropolitan areas and the towns. Although there was a compensating increase in service sector employment, this did not necessarily occur where the manufacturing jobs were lost, nor to the same extent. The bulk of service sector employment growth was found in small and medium-sized towns. The inner areas of the large cities lost service sector jobs (Reference 3).

Exhibit 5
CHANGES IN EMPLOYMENT BY SECTOR IN DIFFERENT TYPES OF AREA
1951-1981

Over a million manufacturing jobs were lost in the inner cities

Source: ESRC Critical Issues in Urban Economic Development, Volume 1

22. Unemployment continued to rise from 1981 to 1986, further weakening the economic base of many areas. It has fallen dramatically since then, from a peak of 3.1 million in early 1986 to below 1.8 million today. But this reduction has not solved the inner city problem.
23. Unemployment rates in areas covered by the Urban Programme still exceed those in the rest of the country. In England, for example, these areas contain 32 per cent of the population yet 55 per cent of the long-term unemployed. The national figure conceals significant regional and local differences. While unemployment is below five per cent in East Anglia, it is over twice this level in the North. Unemployment generally increases with distance from London, but the variations between travel to work areas (TTWAs) within each region are greater than the variations between regions (Exhibit 6). In the South East unemployment ranges from 1.7 per cent in Crawley to over 10 per cent in Thanet; in the North there is six per cent unemployment in Hexham as compared with 18 per cent in South Tyneside.

Exhibit 6
REGIONAL UNEMPLOYMENT (MARCH 1989)
Regional unemployment generally increases with distance from London, but there is greater variation within regions than between regions

Source: Department of Employment

24. Official unemployment rates produced by the DE are calculated for areas which form reasonably self-contained labour markets, the smallest of which is the TTWA. Resident-based unemployment rates for smaller areas are less reliable. But local authority estimates show wide variations in unemployment rates at local ward level (Table 1). And even within wards there are marked spatial concentrations. Some census enumeration districts in Hull for example are thought to have unemployment of over 50 per cent (and many of these are on the outer edges of the city in relatively modern overspill estates). These problems are not confined to the larger cities - areas within smaller towns such as Workington and Keighley have similar levels of unemployment.
Table 1
WARD VARIATION IN UNEMPLOYMENT RATE
(Various dates: Feb - April 1988)

<table>
<thead>
<tr>
<th>Study authority</th>
<th>Overall unemployment rate</th>
<th>Ward unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Highest</td>
</tr>
<tr>
<td>Bradford</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Southampton</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Cardiff</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>Stoke</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Middlesbrough</td>
<td>19</td>
<td>34</td>
</tr>
<tr>
<td>Nottingham</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>Wolverhampton</td>
<td>15</td>
<td>26</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Hackney</td>
<td>19</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Local authorities and London Research Centre

25. Labour problems are also evidenced by the demographic mix in urban areas, notably the inner city and outer estates. Single parents with particular problems of finding work compatible with their child care responsibilities are unusually highly represented in urban communities. Members of ethnic minorities with language and integration difficulties are often concentrated in the inner areas of cities, for example in Bradford there are ethnic minority communities with origins mostly in the rural areas of Pakistan and other parts of the Indian sub-continent. Now that the jobs for which many of these people came to Bradford have disappeared, there is a fear that the older generations will never again be able to find employment.

26. High unemployment is not the only indicator of a malfunctioning urban economy. There are important physical indicators, too. A DOE survey showed 46,000 hectares (ha) (or 177 square miles) of derelict land in England in 1982 - of which 34,000 ha were considered to justify reclamation. In the remainder, the benefits to be gained from reclamation are not considered to justify the costs, either because the areas are remote or because of technical difficulties. A recent report from the Adam Smith Institute (Reference 4) identified over 300 square miles of vacant and derelict urban land in Britain.

27. In 1987-88, derelict land grant (DLG) totalled £81 million, double the amount (in real terms) of what was available in 1979-80. But, despite the DLG programme, the derelict land problem has only marginally improved. Provisional results from the 1988 Derelict Land Survey show that since the 1982 survey there has been an overall fall of about 11 per cent in the area of derelict land justifying reclamation, but this represents a reduction of only six per cent since the 1974 survey (Exhibit 7 see overleaf). In some areas the rate of reclamation has not kept pace with the growth of new dereliction (Reference 5).
WHAT IS THE PUBLIC SECTOR ROLE?

28. It is clear, then, that the inner cities - or parts of them - have not shared the benefits of rapid economic growth. Why is this so? Why, if there are available resources in terms of labour and land, has the 'invisible hand' not reached further into these pockets of urban deprivation?

29. Some would argue that the reason lies in continued distortions in the economic environment which are traceable to government intervention of one sort or another. They would maintain that high rates in inner city areas, driven by high spending local authorities, have pushed businesses away. And there is recent academic evidence to support that contention (Reference 6). They would point also to the continued dominance of national wage bargaining which prevents the price of labour falling in areas in which this needs to happen if new enterprise is to be established. This failure is sometimes attributed to the underpinning of a national benefit system which creates an income floor above the added value of the product of many individuals' labour. Where that is true it will be impossible to motivate these individuals to re-enter the labour market.

30. Those who hold these views argue that the appropriate response from government, both central and local, is to withdraw even further from attempts to manipulate the real economy and allow the market mechanisms to correct the imbalance. They maintain that targeted grants designed to mimic the market processes of investment allocation are likely to have the reverse effect from that intended or, at best, simply to shift investment from one part of the country to another.
31. At the other end of the ideological spectrum there are those who see the social case for correcting economic imbalances as overwhelming. They argue that these social problems should be addressed directly through wealth transfers, irrespective of their impact on the economy's ability to generate wealth overall. They argue that wages below the benefit level amount to exploitation in that they require individuals to work for below what society as a whole sees as subsistence rates of pay, and that where capital shortages are evident the government should step in to correct them.

32. Fortunately, it is not the Commission's task to resolve this essentially ideological conflict. Its duty is to assess the impact on the economy, efficiency and effectiveness of local authority services of the legislative and regulatory framework set by central government. And the framework assumes there is a case for government intervention in the market process. That intervention is fairly tightly constrained. But it is seen to be justified in some circumstances by the need to correct certain inefficiencies in the market and to compensate for certain externalities.

33. There is no need here to rehearse these arguments at length. One example will suffice. In the case of labour training, each business may be seen to have an incentive to restrict its own expenditure on training and poach from those businesses who invest more. In this way, the individual firm may cut its non-wage costs, and raise its salary levels and profits at the same time. Yet if all businesses operate in this way there will be an inadequate supply of trained staff. It makes sense for the government to intervene to ensure that the skills needed for economic growth are available. It does so by taxing each business and investing itself in training programmes. This is not to invalidate the proposition that businesses themselves should be involved in training (company-focused training, tailored to the company's particular needs, will always be needed and is likely to be of higher value than industry-wide schemes) but simply to illustrate the way in which a modest amount of government intervention may produce an outcome which is better for the economy as a whole than that which would emerge without any intervention by the state.

34. But this analysis does not necessarily justify local authority intervention in the process of economic development. What role is appropriate for local authorities within the context of the government's policy framework?

35. In the Commission's view that role is an important one, or could be. It is, of course, far broader than the involvement in specific urban regeneration programmes. There are four main elements:

- *first*, and perhaps most importantly, the local authority has a key role in education and training. In economic circumstances in which perhaps the most important constraint on economic development is the supply of a well-educated and trained labour force, local authorities must see this as their first responsibility. Even after the provisions of the Education Reform Act have come fully into operation the local authority will retain a decisive influence on the quality of education provided in maintained schools. Beyond that local authorities are closely involved in a range of higher and further education initiatives and vocational training programmes;
• second, the local authority can play an important role in promoting confidence in its area by providing leadership and encouraging enterprise;

• third, the authority can exert a major influence on the quality of the local environment. Local authorities themselves own a large amount of surplus and underused land, as the Audit Commission’s report *Local Authority Property Management* pointed out. There is a widespread failure to recognise the opportunity costs of holding on to under-utilised land and property. The local authority contribution to land assembly and imaginative and forward looking use of its planning powers can also be of great significance in economic development;

• fourth, the local authority may use its knowledge of the area and links with disadvantaged social groups to establish bridges between them and the private sector economy.

36. The business community recognises the importance of local authority activity. As the Association of British Chambers of Commerce has said:

   ‘successful urban regeneration has nearly always been accomplished in a framework of genuine partnership .... it is of great benefit that a wide range of interested bodies should be substantially included, particularly local authorities’ (Reference 7).

Similar views have been expressed by the CBI, Business in the Community (BiC) and the Phoenix Initiative.

37. Four conclusions emerge from this brief review of the economic background to the inner cities problem:

• in spite of rapid economic growth there remains an inner city problem which is reflected in terms of higher unemployment rates and under-utilisation of land and capital assets;

• at a time when the economy is running up against capacity constraints these under-utilised assets have a high economic cost. They contribute indirectly to the balance of payments deficit which may in turn require measures which have the effect of slowing down growth;

• there is a case for carefully targeted governmental intervention in the operation of the market in inner cities; and

• consistent with that case there is an important role for local authorities.

38. The next Chapter goes on to assess the extent to which the existing policy framework for bringing local authorities into government’s regeneration efforts is successful.
2. Frictions

39. Central government devotes considerable resources to tackling the problems of the inner cities. Action for Cities, launched in March 1988, describes the full range of government initiatives, spending on which totalled around £3 billion in 1987-88. That document and this year's Progress on Cities also describe some of the successes of policy in recent years (Reference 8). Further detail of the developments directly attributable to the Department of Environment programmes, mainly channelled through local authorities in the past, is given in the Annual Report on DOE Inner City Programmes, last published in the autumn of 1988 (Reference 9). The Department's figures suggest that urban development grant, urban regeneration grant and city grant have achieved a gearing of around four to one in terms of the private investment they have attracted. And the Department now has in place a comprehensive monitoring system which allows it to assess the jobs, homes and reclamation achievements of different inner city programmes. There can be no doubt, therefore, of the government's determination to tackle inner city problems and also of its willingness to assess the impact of different schemes and to amend them and adjust the priorities and qualifications as seems appropriate.

40. The Department also emphasises, in its report on inner city programmes, that 'local authorities have an important role to play in creating the right conditions for private sector development'.

41. But in spite of this it is widely perceived that central and local government departments do not work together as closely or effectively as they might. It is argued that the complex nature of government support makes cooperation difficult and that restrictions simultaneously placed on local authority initiative work counter to the aim of involving them fully in regeneration initiatives. The CBI Inner Cities Report Initiatives Beyond Charity published at the end of 1988, says:

'one of the clearest messages to emerge is that the efforts to turn around Britain's cities will be shackled so long as the present uneasy relations between central and local government persist' (Reference 10).

42. What evidence is there to support the proposition that frictions at the interface between central and local government are hindering the urban regeneration effort?

43. The overall picture to emerge from the Commission's work was of an improving position. The era of confrontation between government and local councils on inner cities policy is fading rapidly. There are examples of constructive cooperation and instances of quite remarkable changes of heart on the part of council leaders who were previously implacably hostile to government policy.
44. But problems remain. Four stand out:
(a) government rhetoric, allied to some specific changes designed to cut down the local authority role, has contributed to a climate which is less favourable for cooperation than it might be;
(b) the multiplicity of governmental agencies and schemes generates confusion on the ground, in the minds of local authority decision-makers and business leaders alike;
(c) the structures and procedures of individual programmes do not harness the energies of local authorities as effectively as they could; some are too constrained and bureaucratic;
(d) as a result, there is - in spite of some positive developments in some areas - inadequate coordination of local strategies, and the totality of government effort is less than the sum of its parts.

CLIMATE FOR COOPERATION

45. One of the prime causes of past frictions has been a fundamental lack of agreement between central and local government on their respective roles. Most local authorities in areas of deprivation see themselves playing a leading role in regeneration; many say they have had to assume such a role in the absence of private sector leadership. Yet their general perception is that central government views them as having, at best, a peripheral role subordinate to the private sector and central government.

46. The absence of any but the most cursory mention of local government in the Action for Cities documentation, and government initiatives such as City Grant and the new Urban Development Corporations set up in 1987 and 1988, which marginalise local authorities, have reinforced this view. Recent central government actions have suggested a more positive attitude. Progress on Cities, launched in March 1989, emphasised local authorities' role in local partnerships, and the provisions in the Local Government and Housing Bill define a new economic development power for local authorities. Yet suspicions remain: on whether, for instance, the spirit of Progress on Cities has permeated all the departments concerned and whether restrictions on the use of the new power will be so tight that it is not usable to support many current activities.

47. Defensiveness on both sides makes true partnership difficult to achieve. A climate of confidence is essential to regeneration. Nothing is likely to have a greater adverse influence on the private sector's perception of an area than evidence of disunity between the two branches of the public sector. Many business people, conscious that all these initiatives are funded ultimately by the tax payer, simply fail to comprehend why there is such concern about precisely which agency disbursing other people's money should take the credit for doing so.

MULTIPICLITY OF AGENCIES

48. For most of the period during which this study was in progress the Chancellor of the Duchy of Lancaster, in the Cabinet as a Department of Trade and Industry minister, had a coordination role as Inner Cities Minister, while individual departments retained management responsibility for their own inner city programmes. In July 1989, however, the coordination role was transferred to a non-Cabinet Minister in the Department of Environment, Mr David Hunt, who is, at the same time, Minister for Local Government. The Cabinet Office, which
coordinated the *Action for Cities* and *Progress on Cities* presentations, is not a prime point of contact for those outside central government. The *Progress on Cities* document contains a detailed guide to the various departments and agencies which must be contacted by an outsider.

49. There is a marked contrast between the position in England and that in Wales and Scotland (although this is partly due to their smaller scale). In Wales local authorities liaise with the Welsh Office on most matters. Similarly in Scotland, although there are five main departments of the Scottish Office, the functions of each are more tightly coordinated than in England (Exhibit 8). Urban renewal policy and the urban programme were transferred to the Industry Department from the housing division of the Scottish Development Department in 1987.

Exhibit 8

**URBAN REGENERATION IN SCOTLAND & ENGLAND: ALLOCATION OF FUNCTIONS**

<table>
<thead>
<tr>
<th>Functions within Industry Department for Scotland</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Renewal Policy</td>
<td>DOE</td>
</tr>
<tr>
<td>Urban Programme</td>
<td>DOE</td>
</tr>
<tr>
<td>LEG-UP (Local Enterprise Grants for Urban Projects)</td>
<td>DOE (City Grant)</td>
</tr>
<tr>
<td>Enterprise Zones</td>
<td>DOE</td>
</tr>
<tr>
<td>Enterprise Trusts</td>
<td>DOE (LEAs)</td>
</tr>
<tr>
<td>Industrial &amp; Economic Development Policy</td>
<td>DTI</td>
</tr>
<tr>
<td>ERDF</td>
<td>DTI/DOE</td>
</tr>
<tr>
<td>Regional Selective Assistance</td>
<td>DTI</td>
</tr>
<tr>
<td>SDA</td>
<td>DTI (English Estates)</td>
</tr>
<tr>
<td>Energy Policy (Economic &amp; industrial implications)</td>
<td>D Energy</td>
</tr>
</tbody>
</table>

*Note: The functions of the Training Agency in Scotland are to be combined with those of the SDA to form Scottish Enterprise under proposals announced in December 1988*

50. The fragmentation of responsibility across several departments in England leads local authorities to complain that there is a 'lack of coherence' in central government policy initiatives. A recent study *Encouraging Small Business and Growth* by Segal Quince Wicksteed, sponsored by the Department of Employment and others, reported that 'because in some areas there is a multiplicity of agencies concerned with different aspects of small firm support and local economic development, there is increasing concern over their effectiveness in working together' (Reference 11).

51. In central government’s defence, it has been argued that this confusion is more apparent than real: that the disparate initiatives are in fact interdependent and form part of an integrated strategy and that varied local circumstances require a ‘mix and match’ approach. But this is not the perception of those people in local government and local business interviewed by the Commission's study team. And it is they who must translate the initiatives into action.

52. Two examples illustrate the point. A person who wants to expand business premises or plant must explore various schemes of assistance for which the project may be eligible, each
subject to separate eligibility criteria (Exhibit 9). The four schemes involve three departments, and eligibility or degree of assistance depends on four different types of area designation. Even though there is coordination at the national level, business still needs to seek information from the individual departments.

Exhibit 9
CENTRAL GOVERNMENT ASSISTANCE: DECISION CHART OF OPTIONS
Four schemes are administered by three departments, with different eligibility criteria

Note: This is a simplified decision chart. It does not depict all the eligibility criteria
Source: DE, DTI, DOE guidelines

53. The second example is taken from one of the study authorities. Wolverhampton MBC proposed to set up a training workshop and resource centre for the textile industry. Central government grant assistance was available from the DTI task force, from the Urban Programme (DOE) and from the Training Commission (as was), each following its own timetable (Exhibit 10). Although the Council welcomed the assistance and cooperation of the three departments

Exhibit 10
WOLVERHAMPTON CLOTHING INDUSTRY TRAINING CENTRE
The need to seek three separate approvals imposed extra administrative burdens

Source: Wolverhampton MBC
in the scheme, the need to seek three separate approvals imposed extra administrative burdens and problems of coordination.

**INDIVIDUAL PROGRAMMES DO NOT HARNESS THE ENERGIES OF LOCAL AUTHORITIES EFFECTIVELY**

54. The resources channelled by government directly towards inner city problems through local authorities are relatively modest in scale. Some in local government argue that they have been dwarfed by reductions in rate support grant to inner city local authorities.

55. This report does not argue a case for more or less resource targeted at the inner cities; its purpose is to assess whether existing funds are being channelled in the most effective way. In trying to assess effectiveness the approach has not been to evaluate the impact of particular expenditure programmes in terms of physical capital and jobs generated. The Commission is not empowered to undertake such an audit of central government programmes; that is a matter for government itself and for the National Audit Office. Rather it has been to review the way in which the programmes are managed, the extent to which they form part of a coherent regeneration strategy for the areas concerned and the impact they have on the policies and programmes of the local authorities themselves.

56. Of the multiplicity of agencies and programmes, seven are particularly worth examining in this context:

1. Urban programme
2. City Grant
3. Urban Development Corporations
4. Section 11 (Commonwealth Immigrants) Grant
5. Training and Enterprise Councils
6. Task forces
7. City Action Teams

1 URBAN PROGRAMME

**Priorities**

57. Urban programme (UP) funding is currently made available to local and health authorities in 57 Inner Area Programme (IAP) districts. The only distinction within the 57 is partnership status which still carries with it generally higher UP allocations: 44 per cent of the initial allocations for 1989-90 went to the nine partnership authorities. In selecting the IAP authorities 'Ministers took account of the scale and intensity of deprivation, assessed down to ward level on a variety of indicators from the 1981 Census, and of the scale, concentration and persistence of unemployment' (Reference 12).

58. Great significance now attaches to selection, given the all or nothing nature of IAP status. In addition IAP status is becoming a 'passport' to other forms of assistance. For example, priority for City Grant is given to projects situated in IAP districts, and up to March 1989 no grants were paid outside these and the UDC areas. DTI assistance under the Enterprise Initiative
is paid at a higher rate in assisted areas and the IAP districts. Road schemes in the IAP districts receive preference for the award of Transport Supplementary Grant.

59. The ministerial guidelines make it clear that the principal aim of UP is to influence the way in which local authorities approach urban regeneration activities: to promote coordinated action with others and to encourage innovation (Reference 13). An allocation of money for short-term projects not tied to main service budgets enables authorities to experiment and can provide the small sums of money that make the difference between a scheme proceeding or failing. Local authorities could in theory set aside such a sum from their own budgets, but the authorities concerned, by definition confronted by some of the most severe needs in the country, would in practice find it difficult to resist the claims of main spending programmes. Nationally the urban programme is relatively small, but the allocations are vital to the IAP authorities. The chief executive of one of the study authorities said urban regeneration work in his area would collapse without it.

60. But the procedures through which central government administers UP and the criteria by which it assesses the submitted programmes, discourage local authorities from pursuing the aims embodied in ministerial guidelines. This is because government control over UP allocations is project-based, rather than focusing on the overall strategy being pursued locally.

61. The main assessment criteria prescribed by ministerial guidelines are:

— development of a coordinated approach and joint work with the private and voluntary sectors;
— promotion of the four ministerial objectives which cover respectively economic, environmental, social and housing improvements;
— a presumption in favour of economic projects;
— avoidance of long-term funding and while giving priority to capital projects (funding for individual projects is generally limited to three years, or four years for voluntary sector projects).

62. The Urban Programme Management Initiative implemented in April 1987 required each of the 57 districts to produce an Inner Area Programme ‘to relate projects to clear objectives and priorities agreed between central and local government in the light of local needs and of Ministers' objectives for urban policy as a whole’ (Reference 13). The objectives were to derive from a programme strategy, based on an assessment of local needs and opportunities. Such a strategy is essential in promoting the type of cross-service and cooperative approach required by the ministerial guidelines.

63. The IAP submission must include a classification of projects into economic, environmental, social and housing categories in accordance with DOE criteria. DOE advice and the experience of the study authorities show that the Department put great weight on the balance between these categories in assessing IAPs. Encouragement, perceived by some authorities as strong pressure, was given to include a greater proportion of economic projects at the expense of social projects; this is reflected in the breakdown of national allocations (Exhibit 11).
64. Emphasis on the economic objectives of UP is within the discretion of Ministers. But to try to enforce this through a classification of project types detracts from the role of IAP strategies and is not effective. The current guidance notes classify as 'economic projects' principally those which involve providing direct facilities or support for industry and commerce (Reference 14). But a local authority may decide that the promotion of its local economy requires an emphasis on projects classified as 'environmental' (which includes transport projects) or 'social' (including leisure and recreation). Concentration on project types in assessing IAP submissions, rather than strategic objectives, may direct a local authority away from projects which stand the greatest chance of improving the local economy. The best way to impart an economic bias is through review of IAP strategies, not through trying to adjust the balance between project types.

65. An illustration of the mismatch between DOE project types and strategic objectives is provided by an analysis of the 1988-91 IAP submission for Bolton. The submission classifies the proposed projects according to the key issue and strategy objective they are designed to tackle and the DOE classification of project type. Analysis of the projects listed under three of the 11 key issues shows that they fall into the following DOE categories:

<table>
<thead>
<tr>
<th>KEY ISSUE</th>
<th>DOE CLASSIFICATION OF PROJECT EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Image of inner area and need to retain existing firms</td>
<td>Environmental  67%</td>
</tr>
<tr>
<td></td>
<td>Economic  33%</td>
</tr>
<tr>
<td>2. Effect of unemployment</td>
<td>Economic  15%</td>
</tr>
<tr>
<td></td>
<td>Social  85%</td>
</tr>
<tr>
<td>3. High demand for social facilities</td>
<td>Environmental  16%</td>
</tr>
<tr>
<td></td>
<td>Social  84%</td>
</tr>
</tbody>
</table>

The first of these, one of several key issues which relate to the economy of the inner area, is being pursued mainly through schemes which the DOE would classify as environmental. One of the
detailed objectives makes the link clear: 'to encourage investment inside the Inner Area by improving its physical appearance and creating confidence amongst residents, potential investors and visitors'. The environmental projects covered include landscaping, pedestrianisation and cleaning in the town centre.

66. Similarly the ministerial guidelines state a preference for capital projects over revenue projects, again reflected in national trends:

| Table 2 |
| URBAN PROGRAMME CAPITAL & CURRENT EXPENDITURE |
| (local authorities) |
| | 1985-86 | 1986-87 | 1987-88 |
| Capital | 170 | 167 | 193 |
| Current | 113 | 109 | 93 |
| Total | 283 | 276 | 286 |
| % capital | 60 | 61 | 67 |

Source: DOE (Reference 9)

This is also a constraint on local authorities' freedom in drawing up their IAPs. Capital projects are favoured because their financial impact is short-term (although their impact on the ground is longer-term). But accounting classification seems a curious basis on which to assess the contents of the IAP. Projects, both capital and revenue, should be assessed on the merits of their contribution to the urban regeneration strategy within the constraints of the short-term nature of UP funding.

67. Another constraint on the IAP submission is the requirement to define a priority area, generally the inner city area. DOE expect projects to lie within it, although some flexibility is permitted (up to 10 per cent of the allocation can be spent outside if a good case is made). The need for concentration of effort is not in question; all parties accept it. But UP can operate satisfactorily without a defined priority area. Up to now Bradford has had no defined area; theoretically the authority is free to propose projects in any part of its area, which covers extensive areas of countryside such as Ilkley Moor. Yet the council only puts forward projects for areas of urban need. This might be adopted as a rule for all IAPs. Authorities would be required to specify the areas on which help is to be concentrated in their IAP submission, justifying the decision in the strategy.

68. If local authorities are to be required to produce strategies for tackling their urban problems they should be allowed freedom to respond to problems and opportunities that arise. The focus of DOE involvement should shift from assessment of the balance of project types to:

— assessing the content of the strategy: whether it is consistent with ministerial guidelines and responsive to the conclusions of a thorough survey of the area;

— checking that projects are consistent with the strategy.

Safeguards would continue to be needed in the assessment and grant payment procedures to ensure value for money at project level and regularity and propriety of expenditure.
If the aims of the ministerial guidelines are to be realised in full, however, there is a need for a much broader concept of strategy. The present procedural advice encourages strategies covering only the projects in the IAP, and many of the strategies the study team saw were of this type. Too often UP funding is seen as a substitute for main programme expenditure, financing schemes which because of their capital bias or short duration fit the UP criteria. But ministerial guidelines see the UP promoting a coordinated approach to tackling problems, drawing in the private and voluntary sectors. IAP strategies therefore need to encompass the activities of all parties, and demonstrate how UP funding can help them to work together on urban problems.

In Wales, where UP approvals are still given on a project by project basis, there is a clear need to switch to a programme and strategy-based approach in order to encourage coordination of urban regeneration activities between services and between organisations. But the Welsh Office should aim to establish a system based on assessments of strategies and avoid the emphasis on the balance between categories of projects predominant in England.

Procedures

One of the prime areas of friction at the detailed level is the bureaucracy of the process for submission and approval of UP funds. All the study authorities commented on the effect on their relationship with regional offices of central government. Although by and large such relationships are good, some thought that for various reasons they were becoming more and more difficult. Regional staff had turned over rapidly in recent years. New staff did not have the knowledge of local conditions affecting the authorities with which they were dealing. In addition, several authorities have said that the increasing complexity of the urban programme system following the introduction of the Urban Programme Management Initiative has resulted in a more cautious response by DOE staff.

In the early years of UP it was common for authorities to discuss submissions informally with the regional office during their preparation to weed out projects unlikely to be approved. Authorities are now more often required to submit detailed project proposals for all schemes and await the verdict when overall approval or rejection is made. Since approvals are project-based (despite the introduction of the programme approach), uncertainties inherent in the guidelines result in a considerable amount of wasted effort.

The submission and approval process itself is a cause of considerable friction. In all seven of the programme authorities visited, this was a point of concern. A particular problem is the time taken by central government to give approval to individual schemes. Often authorities do not know whether schemes have been approved until well into the financial year. Authorities have been criticised for slippage to the programme and inability to spend the money allocated, but this is at least partly due to approvals not being given until after the start of the year.

The DOE has said that it makes every effort to ‘turn round IAP submissions in the shortest possible time’. In general the aim is to process IAPs within two months of receipt, (and a substantial part of this time is required to consult other central government departments). This timetable is complicated by the need to define when the submission has been received - ‘when the clock starts’. Since the UPMI was introduced, authorities must provide considerably more detail, particularly on the intended outputs of UP schemes related back to the authority’s strategy.
statement. The DOE will not finally approve a submission until the requirements of the UPMI have been met (although in practice it is possible to make some progress in processing a submission before it is finalised). The complete bid and approval process takes many months of effort (Exhibit 12). In some cases, over 12 months may elapse from the time schemes are first considered to final approval. This can cause particular problems for small voluntary groups, which are dependent on maintaining the enthusiasm of voluntary helpers.

Exhibit 12
UP BID & APPROVAL PROCESS
The complete process takes many months of effort

Source: Wolverhampton MBC

75. There are certainly inefficiencies on both sides. The simple point is that the evidence from the seven programme authorities visited, in six different DOE regions, shows that the system is not working well. In recent years very few of the approvals have been given before the start of the financial year (and even then some approvals are conditional) (Exhibit 13) and of course even approval exactly ‘on time’ does not allow work in the authority to start on 1 April. There has been some improvement this year. For 1989-90, one in four decision letters was issued before the end of March (an improvement from one in six for 1988-89, very similar to the results from the Commission’s sample). Fifty per cent of approvals met the two month decision period target. It is to be hoped that this improvement can be maintained. Local authorities also need to improve their performance: by the end of January 1989 the DOE had received only 23 of the 57 IAP submissions.
Exhibit 13

URBAN PROGRAMME APPROVALS

In recent years very few approvals have been given before the start of the financial year

Source: Study authorities

76. In Wales, by contrast, although the programme approach is not used, approval letters have been sent out in January or February every year since 1981-82.

77. There must be a balance between central government control of urban programme expenditure and local authority freedom to spend the money effectively. The UPMI was introduced because of concern in the early years of UP that control was inadequate. Nevertheless, the level of detail now required for submissions takes such a large amount of time that in some cases smaller schemes seem to be no longer worth the effort of preparing a bid.

78. The level of detail required by the regional office for some elements of a programme (for which overall approval has been given) can be out of all proportion to the significance of the expenditure. Wolverhampton's IAP for 1988-89, for example, included a bid for a £30,000 revenue expenditure pool, a 'community chest' to be allocated for small scale, mainly voluntary sector, schemes of less than £1,000 each. The pool was approved in principle by the regional office as part of the year's programme. But the pool approved may then be subject to subsequent detailed approval by the regional office of any individual bid for a voluntary body before work is begun or grant paid (Case Study 1). This, even though - to quote the UP management guidance notes - 'a simplified procedure for handling grants to voluntary organisations from community chests was introduced in September 1983' (Reference 15).
**Case study 1: WOLVERHAMPTON: UP COMMUNITY CHEST**

**Procedure**

Bids for grants from the pool are processed by the council in batches throughout the year. One batch consisted of 12 bids for a total of just over £5,000. Officers prepared detailed project descriptions for the DOE. Typical examples are £365 for an indoor bowls mat for a community association, £481 for a collection of toys for an under five children's playgroup (listing £14.76 for jigsaws, and £15.64 worth of 'sticklebricks'). Approval by the DOE regional office involved an exchange of letters and telephone calls. One bid of £350 for day trips for an elderly Asian men's community centre was initially refused until further information was provided. Final approval for all 12 bids was received over a month after submission.

**Resources involved**

Wolverhampton estimated that the process involved up to 15 days of officer time in six departments of the authority, and that the elapsed time from receipt of application to notification of approval or refusal to the voluntary bodies took over two months. It is likely that the total cost to the public purse of this activity (including DOE regional office staff, telephone charges, clerical and administration time) approaches the total of the grants finally approved.

**79.** In making this information available to the Commission, Wolverhampton (and the other authorities) made no criticism of DOE regional office staff. Indeed, concern was expressed at the workload imposed on these staff, and the fear that the situation would become worse as, for example, City Grant applications needed to be evaluated within the defined timescale. But there must be a more rational way to decide the allocation of funds for schemes included in a community chest representing in total only half a per cent of Wolverhampton's total UP allocation of £5.5 million. Even though central funds are involved and there may be occasional abuses, central government should give more allowance for local authorities to make their own decisions having given overall approval to the submission and the strategy underlying it.

2 **CITY GRANT**

**80.** City Grant (the successor to Urban Development Grant and Urban Regeneration Grant) is payable in England directly to the private sector to support projects worth over £200,000. Priority is given to projects in the IAP districts and UDC areas. The size and irregular distribution of projects suitable for assistance make it preferable for assistance to be given out of central funds rather than having to be borne (even if only in part as under UDG) by local authorities. The City Grant scheme (unlike the URG scheme) acknowledges the role of local government by requiring consultation with the local authority both by the applicants and by the DOE assessors.

**81.** But the City Grant guidance notes do not reflect the full extent of local authorities' role. They require developers to consult the local authority on planning, highways and 'any other issues relevant to the proposal'. There is no mention of consistency with authorities' IAP strategies, even though City Grant projects by their size are likely to have significant implications for the strategies. And there is no acknowledgement in the guidance notes of local authorities' role in
promoting grant applications. Both of these are of vital importance to the success of the City Grant scheme.

82. The importance of local authority involvement is illustrated by the URG allocation made for the Victoria Dock redevelopment in Hull. The grant of £17 million was the largest awarded. The scheme had been put forward by Victoria Dock Company Limited, established jointly by a private sector developer and the city council. The redevelopment formed part of a comprehensive docklands strategy worked up by the council, which concentrated on the regeneration of Hull's redundant docks. Other authorities have also been active. Seven City Grants (totalling £4.9 million, nearly a fifth of the total outside UDCs) have been given to projects in a single city (Nottingham). Many of these projects were originally brought forward by the city council under the UDG scheme.

83. Many authorities will work with the City Grant scheme whatever the contents of the DOE guidance notes; some say they will continue to promote applications as if the old UDG scheme were still in force. But a few have been discouraged from cooperating because their formal status has been downgraded. There is also a risk that the private sector may not appreciate, from DOE guidance, the importance of working with the local authority.

3 URBAN DEVELOPMENT CORPORATIONS

84. In the case of Urban Development Corporations (UDCs) entirely different considerations and problems apply. UDCs were established in large part to resolve the difficulties of coordination and negotiation described above in relation to the Urban Programme. The government have described the UDC programme as 'the most important attack ever made on urban decay' (Reference 8(a)). The extent to which they can promote coherent redevelopment strategies remains uncertain. Studies by the National Audit Office have contrasted the dramatic revival of London Docklands commercial property with the relative lack of progress on Merseyside. Even in Docklands there are doubts about the long-term viability of some development and about the extent to which it will benefit the local community.

85. But the issue in this report is not the impact of expenditure by UDCs, but rather the extent to which they have been able to develop working relationships with local authorities, and the impact they have had on the work of those authorities in developing areas around the UDCs, and providing mainstream local authority services within them.

86. The first UDCs to be designated were actively opposed by local government. Some councils in London refused to cooperate with the London Docklands Development Corporation and even actively hindered its work. It is hard to see how this policy can be defended as contributing in any way to the welfare of local inhabitants. On the other hand, the opposition was perhaps not surprising, since the programme was presented as the new solution to a problem which local authorities themselves had signaly failed to resolve. UDCs are not accountable locally and have had among their members many people with limited experience of, or connection with, the area concerned.

87. Now the mood has changed. The Black Country Development Corporation's extension into Wolverhampton was at the invitation of the borough council. Even in London, relationships are now largely constructive. Tower Hamlets has taken up the offered seat on the LDDC board.
Newham 'has developed a negotiating relationship, seeking to influence and obtain information on LDDC plans and to maximise planning gains and cash grants for the borough' (Reference 16). The borough and the LDDC have signed a memorandum of agreement on the redevelopment of the Royal Docks. Southwark, which for some time exercised a policy of non-cooperation, is now at officer level working closely with the LDDC.

88. But there are problems, both current and in prospect. The Public Accounts Committee recently noted that the LDDC had 'given too little attention to the aspects of housing and social facilities referred to in the legislation'. The Committee recommended 'that UDCs should seek from the start to strike a reasonable balance between the physical development of their areas and the social and other needs of those living there'. If they are to strike such a balance, close working relationships with local authorities are essential from the start (Reference 17). The UDC also frequently covers only a part of the city in which it is sited. There is an inevitable tendency in deciding the strategy for the UDC area to focus on the problems of that area and disregard the impact of regeneration outside it.

Exhibit 14

**URBAN DEVELOPMENT CORPORATIONS: PERIOD OF OPERATION**

The UDCs are expected to complete their task by the mid 1990s

![UDC Timeline](image)

*Source: DOE Inner City Programmes 1987-88 (Reference 9)*

89. In the longer run there is an important issue to resolve about the potential wind-up of the UDCs. UDCs are, and see themselves as, impermanent. The first generation UDCs are expected to complete their task in 10 - 15 years, the second generation in about 10 years, the third in 5 - 7 years (Exhibit 14). Thereafter planning and development powers should revert to the local authorities. There is a need for planning of the transitional period and then handover to ensure that consistent development strategies are pursued.

90. Both current and future problems will be heavily influenced by the extent to which the new UDCs take the initiative in developing links with local authorities. Conditions outside London are more favourable in that the local authorities involved have for the most part been more traditionally committed to, and have more experience of, physical redevelopment in collaboration with the private sector. But the climate will be very much affected by the government's attitude to the local authority role. Many in local government are still heavily influenced by the government's early rhetoric surrounding the establishment of UDCs, which positioned them as a response to failure on the part of elected local government.
4 SECTION 11 GRANT

91. Section 11 grant supports provision local authorities make to meet the needs of
Commonwealth immigrants. In some authorities it is a major source of income. In Bradford, for
example, expenditure eligible for grant was £5.7 million in 1986-87; its UP allocation in the same
year was £3.5 million. But Section 11 grant is not, as such, an urban grant and provides grants to
some 130 authorities, far beyond IAP authority areas.

92. A recent 'Rayner scrutiny' concluded that 'Section 11 has a real and effective
contribution to make in opening up services and opportunities to the [ethnic] minorities'. But
the scrutiny report criticised the criteria and procedures as follows:

'there is no clear objective for the grant, and no effective system for assessing results.
The Home Office team is creaking under the strain of examining in great detail the
1,200 applications for new posts received each year, while 12,000 existing posts
continue with little or no scrutiny. The application process is bureaucratic and
wasteful. Local authorities and the communities believe the Home Office has lost all
commitment to the grant, and that its days are numbered. Authorities vary
considerably in their use and management of Section 11 resources. We saw evidence
of the grant acting as a valuable catalyst for change in mainstream programmes. But
we also saw it funding token ethnic minority posts and subsidising programme
expenditure. The ethnic minorities, who are ultimately the customers for Section 11
grant, argue that there is no effective consultation, and feel little benefit for the
expenditure of much of the £100 million. The legislation, now 20 years old, is out of
date in important respects' (Reference 18).

93. These comments coincide with some of the findings of this report on the Urban
Programme set out above in paragraphs 57 - 79. Both grants are cross-service and aim to
encourage innovation; both have attracted over-detailed control systems from central
government and a patchy response from local authorities.

5 TRAINING AND ENTERPRISE COUNCILS

94. The Training and Enterprise Councils (TECs), announced by the Department of
Employment in the December 1988 White Paper Employment in the 1990s (Reference 19) are
planned to be an important new vehicle for local coordination. The DE envisages that there will
eventually be about 80 TECs in England and Wales, responsible for:

— assessing local skills needs;
— producing a plan which tailors national training programmes to local needs;
— managing the training programmes (YTS and ET);
— developing support for small businesses.

Leading members of the local business community will make up at least two-thirds of the
membership of TECs, the balance comprising other representatives of local community interests
including education. Each TEC will be responsible for administering an annual budget averaging
£20 million, within a framework of accountability set out in a contract with the Training Agency.
95. Employment in the 1990s echoes many of the findings of this report. It recognises the importance of the local level 'where individuals and institutions most directly share a sense of community and can best shape a common purpose'. And it emphasises the need to put education, training and enterprise 'in the broader context of economic and industrial development'. Placing some of the programmes at present administered by TA offices under TECs should increase local control. But how far the new arrangements will go in promoting a better framework will depend on how certain crucial issues are resolved. In particular:

- how will a TEC ensure consistency between its plan and the broader local economic context? If the TEC's plans do not flow from a comprehensive review of the area's economic problems (such as this report's suggested local regeneration audit), they run the risk of being just one more of a range of uncoordinated plans which impact on different aspects of the local economy;
- how is a TEC's plan to be coordinated with the plans local education authorities must produce for work-related non-advanced further education (WRNAFE) procedures and for their further education strategic planning duties under the Education Reform Act 1988? The need for coordination is acknowledged in the White Paper, but no details are given of how it is to be achieved. The fact that responsibility for WRNAFE programmes will remain with the TA and not be transferred to TECs is not likely to help;
- how is the TEC's responsibility for small firms support to be coordinated with services already provided by local enterprise agencies and local authorities?;
- how will TECs cope with the need to bring severely disadvantaged groups into the economy - the totally unskilled, illiterate, etc?

Draft TA guidance seeks to meet these points, but they will need close attention if TECs are to play a productive part in the range of activities being undertaken to assist local economies.

6 TASK FORCES

96. In 1986 the Department of Employment set up inner city task forces in eight of the most depressed inner areas of London and the major cities*. Eight more followed in 1987 in London and smaller cities and towns and a further three will be opened in 1989. Responsibility for the DE task forces was transferred to DTI in 1987 (following changes at ministerial level). There are no task forces in Wales.

97. Task forces are intended to work closely with the local people and promote projects aimed at dealing with their problems. Their objectives are 'to enhance enterprise and employability in the inner city and build capacity in the local community'. Their key features are:
- a small team of secondees from the civil service, the private sector, local government or voluntary bodies;
- a small area, covering the worst affected areas of a city (e.g. the whole or part of five wards of central Wolverhampton, covering less than one-fifth of the borough's population);

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* The Merseyside Task Force, set up by DOE in 1981, was not on the same model as the later task forces.
— a short time scale - two to five years;
— a local office, within the task force area, usually in a shopping parade;
— direct access by the team to the Minister;
— modest funding - a central pool of £19.2 million in 1989-90, for example.

98. Task forces work by making direct contact with local businesses, organisations and people, seeking out opportunities to promote enterprise in the area. They tackle the problems that prevent local people getting jobs, using their contacts with other agencies and limited funding to assist. Although there have been tensions in other areas, cooperation between local authorities and the two task forces contacted during the study was well established and constructive, aided by the fact that each had a secondee from the local authority. The national objectives for task forces enjoin them to improve cooperation between the activities of all local organisations.

99. Task forces are not permanent institutions. The key requirement for success is the ability to stimulate activity which can become self-sustaining. Many of the existing task forces will soon be coming to the end of their planned lives and there are other areas with equally severe problems which will not have had the benefit of the small area focus they offer. The government's intention is that there should be a rolling programme of task forces so that other areas may eventually benefit. The Commission's research supports this policy aim.

7 CITY ACTION TEAMS

100. City Action Teams (CATs) have also been introduced by the government to address some of the problems of interface at the local level. They appear to serve a useful, if limited, role in building understanding between the regional offices of central government through coordination of assistance to local projects. But it is more difficult for a CAT to influence the important, larger decisions. The small special funds available to CATs (£800,000 for all except Nottingham/Leicester/Derby and Cleveland which have £500,000) are likely to reinforce this concentration on specific projects at the expense of a wider coordinating role. The funds seem anomalous when UP funds are intended to serve a similar purpose. A further drawback of CATs is that despite recent extensions they do not exist in all of the areas suffering urban problems, e.g. the Black Country and South Yorkshire are not covered (the former will shortly be covered).

101. A wider role for CATs could mitigate some of the problems of coordination in England. In Scotland and Wales the regional arms of central government (the Scottish Office and Welsh Office) work closely with the Scottish and Welsh Development Agencies to provide potential developers with the advantage of a 'one-stop shop'. The existing regional offices in England do not fulfil this role: they are essentially regional agents of the separate Whitehall parent departments. As presently constituted, CATs bring together the departmental regional offices but their freedom of action is restricted.

INADEQUATE COORDINATION OF LOCAL STRATEGIES

102. The analysis above has concentrated on seven of the most significant current initiatives in inner city policy. Not all of them may be criticised on grounds of inadequate coordination. Some - CATs and task forces - have been conceived in response to observed
problems of poor coordination and are playing an important role in bringing different agencies together. But it is hard to escape the conclusion that at the level of the individual city there can be programme overkill within a strategic vacuum.

103. The problem of coordination is undoubtedly more difficult to resolve in England than it is in Scotland and Wales, which benefit from small size and more compact government departments. In England a balance must be struck between the importance of maintaining control and focus on a programme-by-programme and department-by-department basis and the need for coherent action in a particular locality. Initiatives such as CATs and TECs suggest that the government wishes to explore a shift in the balance towards localised coordination. But it is not clear that the right balance has yet been found. In the Commission's view the government could with benefit explore ways of strengthening local coordination of programmes in a way which also brings in local authority decision-makers.

104. The report on small business start-ups referred to above argues that 'if support organisations are to operate in such a way that they meet the real needs of their locality they need some form of framework for their activities ... As to responsibility for taking the lead in formulating them, this would lie most naturally with local authorities in view of the important role they play in local economic development' (Reference 11).

105. But though local authorities might seem the natural lead agency to coordinate initiatives at local level, and the government has come to a similar conclusion in the community care area, what evidence is there that local authorities can take the lead in a way which maximises the chances of private sector-led economic growth?

106. The hostility or indifference shown to private enterprise by some inner city councils, which seemed happier to pursue a quixotic policy of 'socialism in one borough' than to cooperate with developers and employers, is not an encouraging precedent. But how typical are these attitudes? How far could local authorities be trusted with a broader role in economic development and, specifically, urban regeneration? These questions are addressed in Chapter 3.
3. The Local Government Role

107. Local authority members and officers in urban areas argue that everything they do can be seen as supportive of urban regeneration, and that they have been in the business since long before the government decided to make inner city policy a high priority. They say the range of local authority activity directly targeted at urban problems is not as widely appreciated as it might be, nor is the extent of local authority collaboration with the private sector. There is some truth in the point. Though there has been some counterproductive political posturing and some conspicuous failures, for the most part local authorities have a reasonably positive record in support for urban redevelopment.

108. This Chapter reviews:

• what local authorities do now in support of urban regeneration;
• how they are organised to provide support;
• their relations with the private sector;
• the constraints on the effectiveness of their current activities.

WHAT LOCAL AUTHORITIES DO NOW
MAIN PROGRAMMES

109. Relevant local authority activities fall under two heads: main programme contributions and activities specifically targeted at urban regeneration and economic development. Of their main programmes education, planning and highways and transportation are the most significant (together with housing, which is not covered by this study). But almost every mainstream local service - social services, police, libraries - can play a part in creating an area that is attractive to people and industry, though services may need adaptation or coordination with others if they are to deal effectively with urban problems.

110. The range and quality of the education service are fundamental to the creation of a skilled and well motivated workforce. The more recent special initiatives taken to adapt the education service to the needs of industry have mainly fallen under two headings:

— measures to ensure courses for specific skills training are geared to the needs of local industry, such as the Training Agency's Work-Related NAFE (non-advanced further education) programme;

— schemes to prepare pupils more generally for the world of work, such as the Technical and Vocational Education Initiative for pupils aged 14 to 19 years.
111. Educational compacts have also been created between schools and local employers. They were pioneered in this country by the Inner London Education Authority and the London Enterprise Agency, drawing on a similar scheme in Boston, Massachusetts. The London Compact, originally covering six schools in Hackney and Tower Hamlets, commits schools and pupils to a set of quantified goals, and employers to giving preference for jobs to pupils who meet their goals. HM Inspectors of Education reviewed the operation of the compact in 1988 and noted the favourable reaction of employers to their contacts with the schools: 'They spoke of their pleasure and surprise with what they found in the schools and had clearly gained a great deal from the visits'; previously 'their views about schools had been conditioned by the press'. Obviously the process of education in the compact is two-way. The compact was seen by employers as a catalyst, providing a structure for promoting and sustaining contact (Reference 20). The government has since taken up this idea and the Training Agency is to support 40 compacts.

112. Some local authorities participate in the Training Agency’s Youth Training and Employment Training schemes as agents and managers, roles which they must win in competition with the private sector. Cornwall County Council, for instance, is committed to providing 500 places under the Employment Training scheme. Other authorities have bid for these roles but been unsuccessful. Involvement in training is not limited to local education authorities. For example Hackney and Wandsworth are actively involved in training schemes, working with employers and the Training Agency.

113. A major aim has been to increase the participation in the workforce of groups currently under-represented. The DE’s White Paper Employment for the 1990s (Reference 19) listed the main groups on which attention should be focused: women, the ethnic minorities, the long-term unemployed and older workers. Participation policies assume their highest relative importance in inner London. Again Hackney and Wandsworth have developed relevant schemes; these are discussed later in this Chapter. Authorities outside London are also taking action.

114. The impact of other main programme expenditure on urban regeneration is harder to assess. In some places the disposal of local authority services has had an impact on the look and confidence of the area. Elsewhere there has been little coordination of effort. This problem is addressed later in the report.

TARGETED SUPPORT

115. Local authorities provide some services specifically targeted at economic regeneration: provision of land and premises, of advice and financial assistance to businesses and promotion of their areas as business locations. The sums involved are small in relation to local authority expenditure in aggregate, less than one per cent of the total (Exhibit 15). Authorities are under no duty to provide these services, but many do. A survey by the ADC and Lancaster University shows the frequency with which district authorities undertook different types of initiatives (Table 3).
Exhibit 15
LOCAL AUTHORITY CURRENT SERVICE EXPENDITURE (1989-90) (EXCLUDING HOUSING REVENUE ACCOUNT & DEBT CHARGES)
Less than 1 per cent of current expenditure goes directly towards economic development, but main services also contribute to urban regeneration.

Source: CIPFA Finance & General Statistics (estimates)

Table 3
DISTRICT COUNCILS OPERATING SPECIFIC INDUSTRIAL DEVELOPMENT INITIATIVES 1984-1986

<table>
<thead>
<tr>
<th>Type of policy</th>
<th>Percentage of respondents directly operating policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-metropolitan districts</td>
</tr>
<tr>
<td>1. Grants to firms</td>
<td>34</td>
</tr>
<tr>
<td>2. Loans to firms</td>
<td>24</td>
</tr>
<tr>
<td>3. Rates/rent free periods</td>
<td>38</td>
</tr>
<tr>
<td>4. Rates/rent guarantees</td>
<td>8</td>
</tr>
<tr>
<td>5. Other guarantees</td>
<td>8</td>
</tr>
<tr>
<td>6. Provision of sites</td>
<td>74</td>
</tr>
<tr>
<td>7. Provision of premises</td>
<td>72</td>
</tr>
<tr>
<td>8. Promotion/information:</td>
<td></td>
</tr>
<tr>
<td>(a) National advertising</td>
<td>38</td>
</tr>
<tr>
<td>(b) Local advertising</td>
<td>58</td>
</tr>
<tr>
<td>(c) Technical press advertising</td>
<td>3</td>
</tr>
<tr>
<td>(d) Business directory</td>
<td>40</td>
</tr>
<tr>
<td>(e) Guide to sources of finance</td>
<td>29</td>
</tr>
<tr>
<td>(f) Register of premises</td>
<td>51</td>
</tr>
<tr>
<td>(g) Competitions, good ideas, schemes, etc.</td>
<td>19</td>
</tr>
<tr>
<td>9. Business advice</td>
<td>46</td>
</tr>
<tr>
<td>10. Promotion of Enterprise Agencies</td>
<td>28</td>
</tr>
<tr>
<td>11. Support for cooperatives</td>
<td>8</td>
</tr>
<tr>
<td>12. Joint ventures:</td>
<td></td>
</tr>
<tr>
<td>(a) with private sector</td>
<td>37</td>
</tr>
<tr>
<td>(b) with public sector</td>
<td>34</td>
</tr>
<tr>
<td>13. Training</td>
<td>15</td>
</tr>
<tr>
<td>14. Information Technology Centres</td>
<td>14</td>
</tr>
</tbody>
</table>

Note: These figures are derived from questions which ask whether or not a council was directly operating each policy at some time during the period 1984-1986.

Source: Lancaster University & ADC
More than two-thirds of authorities undertook property based initiatives (provision of sites and premises). Advice and financial assistance were provided by smaller proportions of authorities although these services were more common (more than 60 per cent) among the metropolitan authorities. Some form of promotional work was undertaken by more than half of authorities.

**Land**

The land planning responsibilities of local authorities are closely bound up with their regeneration activities. Some authorities in addition are involved in a range of 'land processing' activities which help businesses or developers obtain sites and premises.

Land planning is often seen as a barrier to development. In some areas that is its aim. In the green belt restraint is enforced in accordance with national and regional policies. But in the inner city authorities visited the emphasis was on encouraging development. In Bradford, for example, the planning department works with developers to bring forward sites, using land acquisition and development powers to deal with the physical constraints.

Authorities aiming to encourage development have to maintain a careful balance between the demands of developers, as expressed through planning applications, and the wider and longer-term interests of the community. Many authorities now take the initiative in promoting developments. They prepare briefs describing the broad lines of the scheme and invite proposals. Other authorities still firmly resist market pressures. The most significant examples encountered during the study concern large scale retail development and housing proposals for land allocated for industry in inner London. In the second case, subject to the need to ensure that land is not left idle or underused for long periods, the restrictions appear necessary; the only way in which 'hope value' for high value housing will not price these areas out of the industrial land market is firm planning policies backed up by central government. In other cases, however, local authority assistance may be based on an out of date notion of the type of development which is achievable and desirable. Authorities are not always realistic about the type of industry which may be prepared to locate in their area, and find it hard to keep up with changes in the pattern of economic development.

'Land processing' refers to a wide range of activities designed to prepare land for development or business use: release from ownership, reclamation, assembly, servicing, building or any combination of these. The significance of the first depends on the extent of local authority ownership. Cardiff City Council for instance owns 31 per cent of the area of the city. The council is cooperating with the Cardiff Bay Development Corporation to release land as the Corporation requires it for development; unlike the English UDCs the Corporation has not had to use vesting orders to acquire the land. Elsewhere authorities have not taken such an enlightened attitude. The Commission's report on local authority property management concluded that authorities held on to far too much land and property and tended to view property as a static not a dynamic resource. That attitude is changing less quickly than it should.

Other activities are aimed at:

— providing industrial sites or units in various states of preparedness to meet the needs of different types of business;

— working with private developers to bring about development or redevelopement.
122. The second is greatly valued by the private sector, especially the ability to assemble land, to relocate previous occupiers and to deliver a clean legal title to land. The report *Financing Inner Cities* referred to ‘the complex structure of land ownership’ in the inner cities inherited from the days of their prosperity, and the lack of a coherent national policy to overcome the problem. The report saw local authorities as having the powers to assist with land assembly, but lacking the necessary resources (Reference 21).

**Infrastructure**

123. Local authority infrastructure activity falls into two categories:

— direct provision of services for which authorities have statutory responsibility, principally highways and transportation;

— advocacy, in some cases linked with financial support, for provision by other agencies.

124. Local highways are frequently the key to opening up land for economic development. In Cardiff the decision to run the peripheral distributor road through the declining dock area has given a head start to the Development Corporation's plans, providing a ready made link to the national motorway system. In Wolverhampton narrowly based highways criteria would have concentrated highways improvements in the western side of the town, but to promote economic development attention was shifted to the industrial area on the eastern side. The Transport Policies and Programmes (TPPs) required annually by central government help promote this wider view and for the first time the 1989 TPP Circular (at the suggestion of the local authority associations) included benefit to the 57 IAP districts among the criteria for awarding Transport Supplementary Grant. Some authorities, particularly in the conurbations, are looking at alternative solutions to transportation problems and following the example of Tyne and Wear in promoting the construction of rapid transit systems.

125. Many of the essential services are outside local authorities' control, and advocacy and promotion of infrastructure improvements are important aspects of their role. Within the study authorities examples have included the national motorway and trunk road system, railways, airports, water and sewerage and the Channel Tunnel. Bradford is presenting its case on a number of schemes proposed to link the M1, M62 and A1 roads, as well as working to improve its direct rail connections to London. Coordination of plans for improving infrastructure is now being facilitated by Integrated Development Operations prepared to support bids for European funding.

**Capital and enterprise**

126. About two-thirds of metropolitan authorities have provided financial support to local business and four-fifths advice services. Many authorities also sponsor boards, agencies and companies which provide these services. Advice services in many areas are now provided by local enterprise agencies, usually established jointly with the private sector. Enterprise boards provide investment finance and, to a greater or lesser extent, property, training and consultancy services to smaller businesses. Some provide financial support for starter or very small businesses, for example:

— Lancashire Enterprises Ltd: 'Rosebud Fund' launched in 1986, offers funding up to £10,000 to companies based in Lancashire to help small firms develop and grow. In 1987-88 a total
of £145,000 was invested (not grants) in 21 companies (an average of £6,900 each). (Six have since failed.) Assistance is in the form of equity, loans and bank guarantees to meet the requirements of each case;

— Yorkshire Enterprise/West Yorkshire local authorities: West Yorkshire Small Firms Fund Limited (WYSFF). In the three years to 31 March 1987 WYSFF has provided £833,700 in unsecured loans and equity finance to 140 starter and small firms. Run as a partnership between Yorkshire Enterprise, which has put up the bulk of the capital, and the West Yorkshire local authorities, who between them cover the greater part of the operating costs, the service offered complements that available from High Street banks. The firms assisted employed 900 people on receipt of WYSFF funding and were intending to create a further 553 jobs in total. To date fewer than 10 per cent of WYSFF's clients have failed.

127. In both cases investment decisions are made on the recommendation of an investment panel with wide experience of venture capital funding and the needs of small businesses. This expertise is extremely important. Any local authority must ensure that funding decisions are based on sound professional advice, from outside the authority if not available inside. The authority should not be a lender of last resort to fund likely losers or to prop up ailing local firms.

128. The study team found a number of examples of cooperation between local authorities and funding institutions. Bradford City Council, for example, is involved in a cooperative arrangement with Yorkshire Enterprise for business funding. At one time it offered industrial mortgages as part of its economic development service. With increasingly constrained budgets a direct service has been abandoned in favour of indirect funding. (Case Study 2).

**Case study 2: BRADFORD / YORKSHIRE ENTERPRISE MORTGAGE SCHEME**

Through a link with Yorkshire Enterprise the city council is able to help companies looking for mortgages at no cost to itself. City council property experts value the premises and at the same time Yorkshire Enterprise staff appraise the viability of the business. Yorkshire Enterprise will then provide up to 90 per cent of the value of the property as a mortgage against a guarantee against loss from the city council. The advantages of the scheme are three way. The client company receives finance that would not be available on such attractive terms elsewhere, the city council is seen to provide a service and can, if it chooses, take a premium on the interest charged to cover its costs and Yorkshire Enterprise obtains a satisfactory return on its capital. To date £1.7 million has been provided in industrial mortgages to 18 companies under this arrangement. In the five years since the scheme began there have been no calls on city council guarantees.

129. Bradford City Council and five other local authorities in Yorkshire and Humberside have also used their guarantee powers to facilitate borrowing by joint companies established with Yorkshire Enterprise from the Yorkshire Bank. The Yorkshire Bank has agreed to make up to £20 million available to joint companies against guarantees from Yorkshire Enterprise itself and the local authorities. The joint companies provide risk finance to small unquoted companies and are managed by Yorkshire Enterprise. To date the joint companies have invested £2.1 million of shareholders' funds and Yorkshire Bank monies in 16 small firms.
130. There is other evidence where local authorities, acting on their own, have been less successful. Among the instances that have come to the attention of the study team are:

— Concentration of financial assistance on rescuing a single firm which was close to collapse; eventually the authority withdrew support and the firm closed. The local authority contribution over a one to two year period exceeded £1 million;

— Inadequate control over a company established by a local authority to assist local businesses. Poor management within the company resulted in it going into liquidation, but, because of failures of monitoring and control, the authority remained unaware of the problems until they were beyond remedy. The authority had invested over £1/2 million in the company over a five year period;

— Defects in procedures for making loans. In the case of one loan for over £40,000 the authority had failed to ensure when handing over money that other providers of finance were intending to meet their obligations, and failed to complete the formalities for registering security for the loan. The authority has now appointed a receiver in an attempt to recover the loan.

All financial assistance involves risk, but the three local authorities involved in these instances had taken on avoidable risks through failure to follow basic rules of good practice (in all three cases remedial action has been taken since).

131. This review is not intended to be comprehensive. The range and variety of local authority support does not lend itself to quantification on a national basis. The general message is that local authorities are very active on a broad front with mixed results but, on the evidence of the study authorities, on balance more successes than failures. Two important caveats should be entered, however. First, the national economy has grown rapidly, and the relative impact of economic growth generally and local authority support are hard to disentangle. Second, the opportunity cost of local authority expenditure is rarely if ever identifiable. Would the council have done better to spend its money elsewhere, or simply reduce the rates? This question cannot be answered with any certainty.

HOW ARE THEY ORGANISED TO PROVIDE SUPPORT?

132. Policy coordination is not easy where a wide variety of external agents is involved. Wolverhampton offers an example of the spider's web of relationships which must be maintained (Exhibit 16 see overleaf). Coordination is assisted where economic development is seen by the whole council as a central part of its strategy. In Bolton, for example, all committee papers include a comment on the impact of any proposals on overcoming urban problems. What is important is a recognition by the council that there should be a coordinated strategy which includes all service committees. This can be achieved in various ways. An important factor is high member commitment. In the larger authorities this could mean giving a single committee overall responsibility; in smaller authorities perhaps a sub-committee of the Policy Committee. In the five years from 1982-83, the proportion of councils with a committee (with titles such as Economic Development Committee, Industry and Employment, Urban Renewal, Employment and Borough Economy) has nearly doubled. In the metropolitan authorities, over two-fifths had a responsible committee in 1987-88 (Table 4 see overleaf).
Exhibit 16
URBAN REGENERATION IN WOLVERHAMPTON - AN OUTLINE OF LINKAGES WITH OUTSIDE BODIES

Local authorities must maintain a spider's web of relationships

![Diagram of various organizations and committees related to urban regeneration in Wolverhampton]

Source: Wolverhampton MBC

Table 4
GROWTH IN NUMBER OF AUTHORITIES WITH A COMMITTEE RESPONSIBLE FOR URBAN REGENERATION OR ECONOMIC DEVELOPMENT

<table>
<thead>
<tr>
<th>Type of Authority</th>
<th>1982-83</th>
<th>1987-88</th>
</tr>
</thead>
<tbody>
<tr>
<td>London boroughs</td>
<td>22</td>
<td>41</td>
</tr>
<tr>
<td>Metropolitan districts</td>
<td>19</td>
<td>44</td>
</tr>
<tr>
<td>Counties</td>
<td>17 (20*)</td>
<td>26</td>
</tr>
<tr>
<td>Shire districts</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Overall</td>
<td>11 (12*)</td>
<td>21</td>
</tr>
</tbody>
</table>

*Note: includes GLC and metropolitan counties.
Source: Municipal Yearbook 1983 and 1988

133. Some of these were replacements for other committees such as the Planning and Development Committee. This requires a change of attitude and responsibilities to reflect a greater recognition of the wider problems facing the authority. Too often a traditional planning committee is identified (particularly by the business community) with the negative aspects of development control. There needs to be an emphasis on positive planning to take advantage of opportunities.

134. A smaller proportion of shire districts have economic development committees. Welsh districts are more active than those in England (30 per cent of Welsh districts in 1982-83 and 38 per cent in 1987-88, compared with six per cent and 15 per cent in England). In part this
is because there are no metropolitan districts in Wales and cities like Cardiff and Swansea are included among the shire districts. But in some parts of England, particularly the South East, further development is thought to be undesirable. Some authorities see no need to encourage activity. In a survey of all authorities in England and Wales, about a quarter of shire districts in the South East replied that they do not produce promotional material of the sort that might be sent in response to an enquiry from a potential developer.

135. But there is still evidence of a lack of coordination within some local authorities. The problems at the centre described earlier are mirrored in local government - a potential developer is likely to go elsewhere if he is faced with the need to deal with several different departments, or even different councils serving the same area. At a meeting to outline one county's economic development initiatives to the Commission's team, the representatives of the different departments present needed to be introduced to each other first. In some places the location of an economic development team has become something of a political football, with responsibility passing from the chief executive to the planning officer or vice versa. This kind of bureaucratic 'find the lady' does not impress potential developers or employers.

RELATIONS WITH THE PRIVATE SECTOR

136. In spite of these residual problems relations between local authorities and the private sector are now, by and large, positive. Local authorities generally have recognised the advantages to their areas of working with the private sector. For the most part they no longer regard business as antipathetic to their activities. Sheffield is a good example. The Association of British Chambers of Commerce (ABCC) says: 'Years of antagonism and mutual distrust had always stood in the way of cooperative ventures' and that 'ideological differences ... had to be put aside'. The city council is now working very actively in partnership with the private sector (and the UDC) in a 'new atmosphere of confidence' (Reference 7). There are often close professional contacts between officers of local authorities and their opposite numbers in chambers of commerce and trade, the CBI regional offices, private sector development partnerships such as British Urban Development (BUD), and the emerging Business Leadership Teams.

137. The ABCC adopted a positive view of the relationship between business and local government in its response to the DOE on the City Grant consultation paper. While supporting the government's change from direct local government involvement in UDG, the ABCC says:

The Chambers of Commerce place a great importance on the role of local authorities in facilitating the process of urban regeneration. In many cases Chambers enjoy a working relationship which is, we believe, much to the benefit of both parties,..... Local authorities play a major part in determining the nature of local economic development. This role is often disregarded or undervalued from the centre, whether from ignorance or for reasons of ideology’ (Reference 22).
In several of the study authorities, the director of the local Chamber of Commerce echoed the view that business was generally very willing to work with the council. Although they referred to inevitable disagreements during the statutory rates consultation meetings (indeed some thought the statutory requirement counterproductive), and differences of view on, for example, car parking, local business saw the need to work in partnership with the council. In cities such as Bradford, Nottingham, Wolverhampton and Southampton, the business community and the council shared a common pride in the city, and a desire to improve the well being of its inhabitants (Case Study 3).

**Case Study 3: CHAMBER OF COMMERCE / LOCAL AUTHORITY COOPERATION**

In Bradford....

The Bradford Chamber of Commerce has a long history of involvement in the city's affairs since its formation in 1851. The Director of the Chamber referred to a 'mature relationship' with the city council which allowed strongly held differences of opinion on some matters, but which recognised they were 'all fighting the same battle' for the city's prosperity. This relationship had continued through 'all political shades' of the city council. By invitation, a representative from the city (the coordinator of the Economic Development Unit) sits on the Council of the Chamber of Commerce. The work of the EDU is strongly supported, as are local initiatives for boosting Bradford's position. For example, the bid from the city council for European funding for the national photographic museum was backed by the Chamber. Similarly, the Chamber agrees with the city on the need to improve transport and communications: direct rail services to London, expansion of Leeds-Bradford airport, the Airedale trunk road improvements. The 'Bradford's Bouncing Back' campaign to improve the city's image was originally set up by the business sector, but was run by a campaign manager seconded from the local authority.

...and Southampton

Similarly, in Southampton, relationships between the city and the Chamber of Commerce are very supportive. The Director General of the Southampton Chamber said, 'the city listen very carefully to what we say. We work very well with our local authority'. An example of this was the re-examination of city parking restrictions. The Chamber were invited by the city council to join a joint members and officers working party together with representatives of the police. The Chair of the Planning and Transportation Committee, together with representatives of the three political parties, went on a city centre 'walkabout' and by removing restrictions in certain areas created about 500 additional parking spaces.

Partnerships with the private sector can extend beyond the provision of the facilities and buildings. They can also cover the social aspects of development - jobs for local people, 'affordable' housing, planning gain etc. In some local areas creation of new jobs and a pool of available local people in close proximity is not sufficient to ensure that the local people get the jobs. Positive action is needed to bring the two together (in addition to helping the local people to acquire the relevant skills). This is so for a variety of reasons: because of traditional recruitment procedures which do not reach local people, because of the inertia induced by long-term unemployment or low expectations of local school leavers, or because the local people are predominantly from sections of the population which suffer discrimination.
140. The problem is felt most acutely in areas where jobs are relatively plentiful, in particular London. But it is not only a London problem. It is an issue that will need to be addressed in areas where there is a shortage of labour as new jobs are created. There will always be a tendency for some groups of people, often concentrated in small areas, to be less successful in getting into the labour market. The actions that authorities can take must be closely bound up with their policies on education and training, on community development, and, in some areas, on combating discrimination, particularly racial discrimination.

141. Some authorities are entering into agreements with private sector partners and other local employers to encourage the recruitment of local people. For example in Wandsworth, the Battersea Power Station Leisure Complex will provide about 4,500 jobs. The council has agreed a positive action policy statement with the operators including the aim of recruiting a workforce broadly representative of the local population, especially in the proportion of people from ethnic minorities. The agreement puts special emphasis on target groups that find difficulty in getting jobs: long-term unemployed, ethnic minorities, women and people with disabilities. An advisory committee will monitor compliance with the statement. The council has made similar arrangements with other employers and in January 1988 in total 354 employees and 5,015 new job opportunities were covered.

142. Similarly in Hackney, the council has reached an agreement with the developer of the Broadgate area near Liverpool Street Station. Local people in Hackney are provided with the opportunity of employment; traffic congestion in the borough, caused by commuters 'passing through' from the outer suburbs, is reduced; and employers do not have to pay the inflationary wages resulting from labour shortages and higher commuting costs. Local authorities involved in these initiatives have acknowledged that the government's encouragement to the private sector to get involved in the inner cities has encouraged a positive response.

143. But if local authorities are now generally willing to work constructively with the private sector, and private business is, in turn, enthusiastic, why are there not more major success stories to recount? What constrains local authorities' abilities to contribute to the regeneration of run-down areas?

CONSTRAINTS ON EFFECTIVENESS

144. Councils themselves would undoubtedly point to lack of funding as the major constraint. In some places it may be that development projects are held back through the shortage of funds to clear derelict land or enhance the infrastructure. But the total resources to be devoted to urban regeneration, broadly defined, is a matter for central government to resolve. And it should be noted that in most areas visited by the Commission, development funding was not in short supply. The two most commonly reported 'gaps' were capital for start-up companies and investment in training for the long-term unemployed and others without easy access to a job. But there are other difficulties which do not relate directly to the level of resources.

CAPITAL CONTROLS

145. Local authorities point in particular to the shortcomings of the capital control system on which the Commission itself reported critically in 1985 (Reference 23). The rigidity of the
system has denied local authorities the ability to support many projects which required some capital expenditure, even where a subsequent receipt would more than recoup it. The 'back to back' and 'in and out' schemes introduced in 1986 and 1988 mitigated these difficulties to a small extent. The first facilitated 29 schemes with allocations totalling £14.4 million in 1987-88 and the second 120 schemes with £68 million of allocations in 1988-89. But payment by the developer must still be made in the same year as the council's expenditure on the land. This does not recognise the realities of the development process, especially in the case of large schemes.

146. A new capital control scheme will come into force in April 1990. The new controls will operate on capital financing rather than payments. Joint development projects of the type being considered will be constrained into two ways:

— temporary financing by local authorities of project payments (e.g. for land acquisition) pending reimbursement by the private sector will count against the financing limit if the financing period runs over a year end;

— receipt of the reimbursement will be subject to 'set aside', i.e. only 50 per cent (for non-housing receipts) will be available to finance new capital expenditure.

147. There will be an analogue of the present 'in and out' scheme which will overcome the second constraint when the payment and receipt are in the same year. One way to overcome both constraints on schemes which overrun the financial year end might be to exempt from control medium term financing for any development scheme where the local authority was party to an agreement providing for full reimbursement by a private sector body (the authority would be obliged when reimbursement was received to use it to repay the financing). A less satisfactory solution, which would still be of assistance to local authorities, would be to provide that temporary financing for payments would continue to count against financing limits, but that the reimbursement would not be subject to the 'set aside' rules applying to other capital receipts. This would allow authorities in effect to promote joint schemes by deferring other schemes in their capital programmes and would not breach the government's annuality rule.

EUROPEAN REGIONAL DEVELOPMENT FUND

148. There is also a problem with the way European Communities money is allocated. Almost all ERDF allocations fund capital projects. Under the present system of capital controls no special capital allocations are given for projects assisted by the ERDF (unlike projects assisted by UP or DLG). If an authority is making full use of its spending powers and wins ERDF funding for a project it can only proceed if it drops other projects. The national total of capital allocations is increased by the expected receipts from the ERDF and the receipts themselves substitute for other forms of financing, so reducing the amount which the authorities have to raise by other means.

149. The drawback is that local authorities making submissions for ERDF assistance are uncertain about whether they will have the spending powers to carry out the projects: they may have to face a choice between the assisted projects and urgent priorities in their mainstream capital programmes. So applications are discouraged. Also there is a tendency to distort submissions in favour of schemes planned to go ahead anyway or in favour of schemes which attract special capital allocations, such as those in the TPP or assisted under Industrial
Development Act powers. The content of programmes comes to be influenced by the rules of local government finance, rather than by what is best for the area.

150. Two instances illustrate the problems caused:

- **Cornwall County Council.** In association with the Tate Gallery the council has produced a scheme to display a substantial proportion of the Gallery's collection of Cornish works of art within the county. After private sponsorship the balance of expenditure, which might be as much as £1 million, would fall to be met by a combination of ERDF grant and local authority capital contribution. A bid for ERDF assistance has been made. But if the scheme proceeds the full capital cost net of private sponsorship will count against capital spending allocations.

- **Bradford Integrated Development Operation.** The proposed size of this programme was reduced by £53.5 million to £107 million in April 1988 because of Bradford's inability to accommodate the capital expenditure involved within its expenditure limits;

151. It is as yet unclear how the problem of additionality will be affected by the new capital finance control system. Ministers have not yet decided whether the distribution of credit approvals under the new controls should be influenced by ERDF allocations. If allocations were automatically to attract credit approvals the problems described here would be solved.

ECONOMIC DEVELOPMENT POWER AND COMPANIES

152. Parts III and V of the Local Government and Housing Bill when enacted will be of fundamental importance to local authorities' economic development activities. Part III provides a new legal power for economic development, described as 'general but circumscribed' by the government and superseding the present miscellany of powers. Part V regulates local authorities' powers to set up and participate in companies.

153. At present local authorities have no general power to promote economic development. They rely on a collection of specific powers, including:

- Local Authorities (Land) Act 1963: to develop land and to give financial assistance towards the acquisition or development of land by others;
- Inner Urban Areas Act 1978: (in designated districts) to assist industry and to establish industrial and commercial improvement areas;

154. Authorities also make use of general powers in the Planning Acts and the Local Government Act 1972 and some in the past had Local Act powers. Section 137 of the 1972 Act, the power to spend up to the product of a 2p rate in the interests of their area, takes the residue that cannot be accommodated under other powers. The Widdicombe Committee's research showed that economic development accounted for about two-thirds of total expenditure under Section 137. The proportion is highest by shire counties in England, but the greater total expenditure in the metropolitan areas dominates the shire expenditure. In the London boroughs,
about half total Section 137 expenditure went towards economic development (the bulk of the
remainder was spent on advisory and welfare services and 'unclassified' schemes) (Table 5).

Table 5
SECTION 137 EXPENDITURE ON ECONOMIC DEVELOPMENT (1984-85)

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<thead>
<tr>
<th></th>
<th>Expenditure</th>
<th>% of total</th>
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<tr>
<td></td>
<td>£m</td>
<td>S137 Exp</td>
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<tr>
<td>England</td>
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<tr>
<td>Metropolitan counties &amp; GLC</td>
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<tr>
<td>Inner London boroughs</td>
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<tr>
<td>Metropolitan districts</td>
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<td>Shire districts</td>
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<td>59</td>
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<td>Wales</td>
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<tr>
<td>Shire counties</td>
<td>2.3</td>
<td>79 \frac{1}{2}</td>
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<tr>
<td>Shire districts</td>
<td>1.4</td>
<td>49</td>
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<tr>
<td>Total England &amp; Wales</td>
<td>63.7</td>
<td>68</td>
</tr>
</tbody>
</table>

Source: Widdicombe Committee, Research Vol IV (Reference 24)

155. The proposals in Part III of the Local Government and Housing Bill provide a new
focused power and by implication a new legitimacy to local authority economic development
activities, which can only assist their relations with other parties. Regulations will be made to
place restrictions on the general power, and local authorities' economic development activities
will also be affected by rules on involvement in companies in Part V of the Bill. Most of the
provisions currently proposed by the DOE (Reference 25) appear justified, but the following
important issues remain where local authorities may be unnecessarily inhibited:

- The geographical areas in which authorities are allowed to give financial assistance.
The DOE proposes to restrict permission to give assistance above a de minimis figure
to any area which currently has priority status e.g. as an IAP district, assisted area or
derelict land clearance area and to areas of above average unemployment. These
restrictions are a legitimate part of central government's role in setting the national
framework for economic development and directing assistance to the most needy areas.
But discretion will be needed to allow help for special problems elsewhere;

- The need to ensure that there is proper accountability for financial assistance, and
proper expertise on the boards of directors of companies assisted. This is particularly
relevant to equity assistance. Central government is opposed to authorities having any
direct role in the running of private businesses and, in particular, to their being able to
appoint directors to company boards. Yet as a matter of good practice authorities may
need to require that an appropriately qualified director is appointed to a board. This
apparent conflict may not be insoluble: the authority could for instance require a director to be appointed from a suitable source, e.g. one of the pools of non-executive directors that are maintained for the use of the venture capital market;

• The ability of local authorities to set up or participate in companies promoting economic regeneration. These companies currently take various forms: wholly owned subsidiaries (e.g. some enterprise boards) and those established jointly with the private sector: local enterprise agencies, joint companies responsible for specific projects and development companies with a general remit. Companies are a valuable vehicle for private/public sector cooperation. They have the advantage of a structure familiar to the private sector and suited to quick and confidential decision-making. Central government understandably wants to ensure proper accountability of local authority companies and to stop them being used to circumvent capital controls. But if the new provisions were to prevent or discourage the setting up of joint companies many important regeneration projects would be placed in jeopardy. Enterprise boards make investments and secure a capital return. In the case of controlled or influenced companies, if that return is treated as a local government capital receipt it will be impossible for them to recycle the money in the way they now do. Unless the government takes a flexible approach to joint public/private sector initiatives of this type, some regeneration activities will suffer.

INTERNAL CONSTRAINTS

156. The constraints on local authority effectiveness are by no means all externally generated. Some arise from the way they are organised, and from weaknesses in staffing and skills. But the most important weaknesses derive in many places from the lack of a coherent strategy within which to evaluate and position individual proposals.

157. Local authorities themselves often experience difficulty in coordinating actions across departmental boundaries, as evidenced in a number of Commission reports, notably on property management. In the case of urban regeneration policies this difficulty is compounded. There is often a need to orient the forward plans of a number of different departments around a particular regeneration project; this is not easily achieved. And it is especially difficult when there is no clear consensus, either within the council or outside it, on the direction of effort for the city as a whole.

158. In spite of these difficulties the local authority has, potentially, a crucial role. It is the one body which necessarily has a long-term commitment to the area and can - especially in circumstances where business leadership is relatively weak - take the lead in bringing together public agencies and the private sector around a regeneration strategy.

159. This will not happen, though, unless there are mechanisms in place to allow a realistic assessment of the area's potential to be made. How this could be achieved is the subject of the last Chapter.
4. Coordinating Local Strategies

160. It is not realistic or appropriate, to think of a common organisational solution to the problem of coordination of public sector responses to inner city decline. As the government has recognised, different solutions are justified in different places. The Urban Development Corporation model may be appropriate where there is a major task of physical redevelopment to accomplish and the overriding need to lift constraints on private sector participants. Elsewhere, particularly where the need is primarily to retrain existing residents and reintegrate them into the productive economy, quite different approaches may be necessary.

161. But in all cases they should be founded on a wide ranging and objective assessment of the state of the area and the opportunities available. Furthermore, the conclusions of this assessment must be shared by all key participants in the regeneration effort. The process of forming such a common view is here referred to as a local regeneration audit. The Commission believes that participating in such an audit would help many authorities to develop a coherent approach to their regeneration efforts.

162. The audit needs to examine:

— how far and how fast the functioning of the market on its own is likely to bring about regeneration in the area;
— whether the market would bring about regeneration if it were freed from controls and burdens placed on it by the public sector;
— whether such regeneration as the market alone would bring about would be in the interests of the population of the area;
— whether the market needs to be supplemented by guidance and encouragement by public sector and other bodies, in order to bring about the desired regeneration.

163. The audit will not result in a detailed blueprint for redeveloping the area. The complex processes of a local economy interacting with the national and international economies are not perfectly predictable and much remains outside local control or influence. Nor is the audit a manifestation of the corporate state at a local level: the private sector will continue to make its own business decisions on commercial criteria. But the audit should give guidance on activities specifically related to the economic aspects of urban regeneration, pointing the participating organisations towards action that stands the greatest chance of securing the area's success.

164. Who takes the lead in the audit? This must be a matter for local decision. The CBI report *Initiatives Beyond Charity* advocates one approach, led by prominent members of the local
business community. In some areas the local authority might be most appropriate, or a special joint private/public body might be set up to do the work. But whoever takes the lead it is essential that they work in concert with all the other parties, so that everyone concerned has a commitment to the outcome. Central government has a special role in the process; not only is it a partner at local level but it also has a responsibility to set a national framework for regeneration to encourage activities in the areas of greatest need.

165. The aim would be to create an understanding of the current state of the local economy, likely future trends and opportunities, and the constraints on its development. Models of the form the audit might take have recently been provided in the reports of three pilot Area Economic Development Studies commissioned by the DOE. The studies cover the three adjacent boroughs of Kirklees, Wakefield and Doncaster and a coordinating report draws together the lessons from the individual studies (Reference 26).

166. The audit should consist of five stages:

1. **Collation of Information**: from national data sources, local surveys, external agencies (e.g. CACI, NOMIS), business intelligence (e.g. regional CBI, chambers of commerce, discussion with local firms);

2. **Strategic Analysis**: profile of the local economy, identification of an area's strengths and weaknesses, potential opportunities, assessment of the competition and other threats;

3. **Identification of Constraints**: labour, land, capital, enterprise, or a combination; what is causing the constraints and how controllable are they?

4. **Who Should Do What?**: detailing the particular roles of the different players involved locally;

5. **Evaluation and Feedback**: monitoring of change in relation to specific objectives and targets, formal review process.

The Area Economic Studies referred to above cover the first three of these stages with some pointers on the fourth. Each organisation involved should produce a strategy for the action it is to take which should be consistent with the audit findings.

**Stage 1**

167. The information to be assembled in the first stage must provide an understanding of the local economy and trends affecting it. Attention should also be given to sections of the population disadvantaged in the jobs market. The information required will be drawn from national sources and local surveys. Much of the local information will already be available to local authorities from surveys carried out for planning and other purposes. But further surveys may be needed, for example on the plans and needs of major employers in the area. The Area Economic Studies also found that analysis of enquiries from firms considering moving into the area, and follow-up of those who decided against, gave valuable information.

168. But national data is also essential to assess the area's relative performance. To be of practical use, statistical data needs to be consistent, up-to-date, and produced sufficiently frequently to assist the monitoring of change over time. It should be capable of disaggregation
to small areas and to specific groups (e.g. ethnic minorities, single parents), and sufficiently flexible to enable subsequent recoding and analysis*.

Stage 2 & 3

169. Stages 2 and 3 form the analytical section of the regeneration audit. They will examine the existing industrial and commercial base of the area, the trends affecting it (e.g. in broad terms, changes in markets, competition and technology) and constraints on its development. The prospects of developing businesses in new industrial or commercial sectors may be considered, taking account of features of the area that would give it a competitive advantage in new sectors. The review of constraints on labour supply (part of the general review of the supply of all factors of production) would also consider the needs of sections of the workforce that found particular difficulty in the jobs market. The emphasis in the analysis would vary from area to area. The end result would be a view on how the future development of the local economy could best be promoted at the local level.

Stage 4

170. To the extent that this view depended on local action it would need to be based on a realistic assessment of what the local organisations could do. The purpose of stage 4 would be to allocate the tasks identified. These should be detailed and practical and should deliberately cut across normal institutional boundaries. Thus a review of land use allocations would involve the local authority and the regional office of the DOE, but the private sector might also be invited to participate, to see if a fresh look at public sector land holdings could identify more scope for improved use.

171. It might well make sense, on the other hand, for the Chamber of Commerce to take the lead on a promotional campaign, perhaps supported in part by local authority funds. Expenditure on place promotion is likely to be most effective when all available funds are pooled and a coherent campaign planned. Initiatives designed to remedy skills shortages might be led by local offices of the Training Agency, the local education authority and major local employers. This stage of the regeneration audit should also involve a review of the existing organisational infrastructure. Some areas have built up a large number of specialist and joint agencies, some of which overlap in their functions or are moribund. The opportunity should be taken to rationalise the existing bodies so that the organisational structure is geared to promote the view of the area's future arising out of the audit.

Stage 5

172. Stage 5 of the audit emphasises the need to monitor and review implementation of the audit outcome. Continuity will be important in the long-term aims for the area (there is no reason why the original audit should not confirm existing aims, while reviewing the means adopted to promote them). But this does not lessen the need to keep developments regularly under review. And in all cases where public money is spent, clear achievement targets should be set and monitored. These targets may take a variety of forms, e.g. the number of new jobs created, the amount of new investment attracted, the surface area of land reclaimed. But in each case the expectations should be quantified.

* Analysis of urban problems is heavily dependent on Census of Population data, since other surveys are based on small samples and cannot be disaggregated to local areas. Yet data from the last census is eight years old and data from the 1991 census will not be available for another three or four years. Existing data sources need to be reviewed to ensure that useful data is available as quickly as possible after collection and if possible more frequently.
Publication

173. Once stage 4 of the audit is complete the outcome of the audit should be published in a brief document setting out the conclusions reached and the commitment of the participating organisations to the action agreed on. Each of the participants would then need to bring its own strategies for action to assist the local economy into conformity with the audit outcome. In local authorities their strategy will need to cover the contribution of main services as well as specific economic development activities. The audit will also form an input to the economic aspects of various plans and strategies relating to the area: the statutory development plans, IAP strategy, programmes drawn up for EC assistance and the Transport Policy and Programme (it would not displace the procedures for drawing up these documents).

174. A local regeneration audit as described here will facilitate a more efficient use of the energy and resources devoted to local economic development. Already the value of such an approach is being recognised and various new initiatives embody parts of it. The Business Leadership Team established in Newcastle is led by senior members of the local business community but also involves leading representatives of the local authorities, City Action Team and UDC. The Devon and Cornwall Development Company (DCDC), which brings together industry and local authorities, was set up with the goodwill of government departments and receives DTI assistance for parts of its work. The forecasts of local requirements which DCDC is charged with producing are intended as 'key inputs' to statutory development plan reviews.

175. The distinctive features of the approach which are vital to its success are that it should be:

- **comprehensive**: embracing all the supply side needs of the local economy and carrying the commitment of the main organisations involved;
- **flexible**: able to adapt to local circumstances and function with different types of leadership;
- **forward-looking**: in that it concentrates on opportunities for the local economy and not narrow answers to immediate problems.

As an example of what such an audit might produce, at least from stages 1 to 3, Case Study 4 summarises the conclusions of the Area Economic Development Study on Wakefield.

176. There are no easy solutions and no unambiguously right answers to the problems of urban regeneration and economic development: different solutions will be appropriate in different places; what works now may not work in a few months as circumstances change; a solution to one problem might simply reveal another. Nevertheless, consistent themes have emerged from the Commission's study.

177. The emphasis in recent years has been on the primacy of the private sector as the engine for economic recovery. This is surely right. But its contribution is limited by shortages of land, labour and capital. The impact and extent of such shortages vary from area to area. A local strategy to identify and overcome them is needed.
Case Study 4: WAKEFIELD AREA ECONOMIC DEVELOPMENT STUDY

The study covered the Wakefield Local Labour Market Area, which is centred on the City of Wakefield, but also takes in part of the Yorkshire Coalfield and the wool towns of Ossett and Horbury. The population is about 212,000. During the period 1985-87 unemployment in the area rose by two per cent, while in the region it fell by four per cent and in Great Britain as a whole by nine per cent.

PRESENT SITUATION

The economy is reasonably buoyant, with the service sector accounting for most employment growth and mining for most job losses. A significant number of firms have restructured in response to changing demand and competition and there has been a resurgence of small businesses.

Proximity to the M1 and M62 is an important advantage of the area. Much of the industrial and commercial floorspace is modern and efficient. The Chamber of Commerce is strong and relatively dynamic and the local authority has adopted a pro-development stance. Recruitment of skilled staff presents few problems.

The area is not in an Assisted Area or IAP district, but is eligible for 100 per cent DLG and has an enterprise zone in the coalfield area.

OPPORTUNITIES AND CONSTRAINTS

The report identified four opportunities for economic growth:

1. Developing indigenous enterprise, based on the current under-representation of small businesses and self-employment in the area. The constraints on this are a shortage of suitable premises; some difficulties in obtaining finance (despite improvements, banks were still showing reluctance to meet the needs of some small businesses, especially where there was no track record); and a need to provide training and advice in management skills (or market existing sources more vigorously).

2. More local sourcing/linkages between local companies. Larger companies are not strongly linked to the local economy and smaller companies lack awareness of what can be provided locally. The major constraint is lack of knowledge and information.

3. Tourism. At present the local tourist industry is modest and dominated by business tourism. Yet the area has impressive and unusual attractions enhanced in 1988 by the opening of a mining museum. A population of 3.5 million lives within a 30 minute drive of the area. The major constraints are lack of identity as a tourism area, lack of public knowledge about tourist attractions and lack of facilities for tourists.

4. Inward investment. This has recently been the largest source of new jobs and enquiries about moving to the area are rising. The major constraint is lack of suitable sites and premises, followed by poor communication to the coalfield area.

* * *

The report suggests various ways of overcoming the current constraints. It does not cover stage 4 of the audit (allocation of responsibilities) but clearly the action required would involve all the main players in the local economy.
178. To be most effective central government, through its local agencies, ought to participate in this process. To do so it needs to be better coordinated and to place less reliance on a scheme-by-scheme approval approach and more on encouraging the development of coherent local strategies. Coordination could be improved if the government were to extend the coverage and role of City Action Teams. They would then be able to participate with the private sector and local government in the local regeneration audit.

179. Such participation would enable government to be more aware of the context of bids by local authorities for Urban Programme, Derelict Land Grant, European assistance and other funds. This in turn would enable central government to spend less time on vetting every scheme. It would also enable central government to provide a 'one-stop shop' for the private sector and to place the efforts of any UDC within the wider local context.

180. In its work the Commission has identified a body of good practice in strategy development and programme implementation at local level. Some is described above, but in conjunction with this report Commission staff are now preparing a guide which its auditors will be trained to use with those authorities who think they could benefit from undertaking an exercise - with independent external assistance - to identify the strengths and weaknesses of their own economic development activities. The guide will be ready by the end of 1989 and auditors will be prepared to use it from early 1990 onwards.
APPENDIX A: LOCAL AUTHORITIES INVOLVED IN THE STUDY

Members of the study team visited a total of 25 authorities in England and Wales. About half of these formed the main fieldwork of the study, the remainder were initial pilot studies or short visits to discuss particular issues of interest. Study authorities were selected as far as possible to form a representative sample: by type of authority, location, size, designation for central government assistance, etc (Table A1 see overleaf). In shire areas, with one exception, both tiers were visited during the pilot studies and main fieldwork to explore the interaction between them. (The exception, Cornwall, was included as an example of a county consisting of several small districts, each with high unemployment, but with no single large urban area.)

In addition to the authorities listed here, officers from several other authorities were members of the study advisory group. The Commission is grateful for the assistance given by all those involved in the study.
### Table A1
**AUTHORITIES INVOLVED IN THE STUDY**

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<th></th>
<th>Involvement</th>
<th>Assisted Area Status</th>
<th>UP Status</th>
<th>UDC Status</th>
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<td>D</td>
<td>**</td>
<td>*</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Liverpool</td>
<td>O</td>
<td>D</td>
<td>**</td>
<td>-</td>
<td>-</td>
<td>(*)</td>
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<td>O</td>
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<td>M</td>
<td>D</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humberside</td>
<td>O</td>
<td></td>
<td>D&amp;I (part)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Lancashire</td>
<td>O</td>
<td></td>
<td>D&amp;I (part)</td>
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<td></td>
</tr>
<tr>
<td>Mid Glamorgan</td>
<td>O</td>
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<td>D&amp;I</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>Nottinghamshire</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Glamorgan</td>
<td>M</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffordshire</td>
<td>O</td>
<td>I (part)</td>
<td></td>
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### KEY

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<th>UP status</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>main fieldwork</td>
</tr>
<tr>
<td>P</td>
<td>pilot study visit</td>
</tr>
<tr>
<td>O</td>
<td>other short visit</td>
</tr>
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</table>

<table>
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<tr>
<th>Assisted Area Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
</tr>
<tr>
<td>I</td>
</tr>
</tbody>
</table>

- ** Partnership authority |
- * Other IAP district |
- England only |
- Task forces |
- (*) Task force set up 1989
APPENDIX B: OTHER BODIES CONTACTED

CHAMBERS OF COMMERCE/TRADE
   Association of British Chambers of Commerce
   Bradford
   Nottingham
   Southampton
   Wolverhampton

CITY ACTION TEAMS
   Cleveland (Coordinating Team)
   Nottingham/Derby/Leicester

DOE REGIONAL OFFICES
   East Midlands
   Northern

URBAN DEVELOPMENT CORPORATIONS
   Black Country
   Cardiff Bay

ENTERPRISE AGENCIES
   Cardiff and Vale Enterprises
   Southampton Enterprise Agency

ENTERPRISE BOARDS
   Lancashire Enterprises
   Yorkshire Enterprise

DEVELOPMENT ASSOCIATIONS
   Hampshire
   Staffordshire
   Yorkshire and Humberside

TASK FORCES
   Nottingham
   Wolverhampton

WALES
   Land Authority for Wales
   Wales Council for Voluntary Action
   Welsh Development Agency
   Welsh Office
SCOTLAND
Scottish Development Agency
Scottish Office
Strathclyde Regional Council

OTHER BODIES
Institution of Economic Development Officers
National Audit Office
National Council for Voluntary Organisations

BUSINESS/INDUSTRY
Advent Ltd
British Urban Development
Business in the Cities
Business in the Community
Confederation of British Industry
English Estates
Investors in Industry
Northern Investors Co Ltd
Seed Capital Ltd
APPENDIX C: SPECIALISTS INVOLVED IN THE STUDY

ACADEMIC ADVISORY GROUP

Prof R J Bennett - London School of Economics
Prof M Stewart - School for Advanced Urban Studies, University of Bristol
M Parkinson - Director, Centre for Urban Studies, University of Liverpool
P Henschel - Former Deputy Mayor, San Francisco, USA

OTHER ASSISTANCE PROVIDED BY:

Dr J Burgess - University College, London
Prof K Allen - Strathclyde University
H W Armstrong - Lancaster University
J Sellgren - London School of Economics
APPENDIX D: DESCRIPTION OF CURRENT ACTIVITIES

1. This Appendix describes the current urban regeneration and economic development activities of the private sector, central government and the voluntary sector. In particular it describes some of the main central government grant assistance schemes. A description of local authorities’ current activities forms part of the discussion of their role in Chapter 3.

PRIVATE SECTOR

2. In *Initiatives beyond Charity* the CBI has shown how the private sector, taking a wider view of its interests, can assist the regeneration of declining areas. Individual businesses can take this role. Companies such as BP, Shell and Pilkington have schemes to encourage new businesses. But the message of the CBI is that collaboration and genuine partnership is the key to the private sector’s ability to take this wider view. The CBI saw collaboration coming about through the leadership of ‘a small team of very senior business people of stature in the community’ (Reference 10). The creation of Business Leadership Teams piloted in Newcastle, has now been formalised by the establishment of Business in the Cities.

3. But there are other vehicles of collaboration. Longest established are the Chambers of Commerce. Their primary purposes are the representation of the views of their members and provision of common services. Many of the larger chambers play a part in training through involvement in Training Agency schemes. Chapter 3 expands on the wider ranging role that some are playing in urban regeneration, often working closely with local authorities.

4. Chambers exist in all of the larger cities and most towns (Exhibit D1). They vary greatly in their membership and resources. Birmingham, for instance, has a staff of 155 and membership of almost 5,000, Nottingham a staff of 100 and membership of over 1,500. But many are much smaller. Almost half of the 70 chambers in the Association of British Chambers of Commerce have less than 10 staff and a membership of less than 500. And the smaller chambers are not confined to the smaller towns. Cities such as Swansea and Peterborough are among the 33 with small chambers. The ability of chambers to coordinate private regeneration efforts depends heavily on the support they receive from local business communities.

5. A new focus for private sector assistance in urban regeneration has been provided by local enterprise agencies (LEAs). LEAs provide business services to small firms. Typically they are public-private partnerships led by representatives of local business. At a national level the promotion of their interests is one of the tasks of Business in the Community (BiC), an association of major UK businesses under the presidency of the Prince of Wales. The growth of LEAs in the last 10 years has been spectacular, from three in 1978 to almost 300 in 1988 (Exhibit D2). Their regional distribution shows wide variation, however, with about three times as many per head of population in the North East as the East Midlands (Exhibit D3).
Exhibit D1
CHAMBERS OF COMMERCE
Chambers of Commerce vary in size and range of activities

<table>
<thead>
<tr>
<th></th>
<th>1000+ members</th>
<th>500+ members</th>
<th>&lt;500 members</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>London &amp; SE</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>17</td>
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<tr>
<td>East Anglia</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>South West</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>East Midlands</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>West Midlands</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Yorks &amp; Humberside</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>North</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>North West</td>
<td>2</td>
<td>4</td>
<td>10</td>
<td>16</td>
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<tr>
<td>Wales</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>28</strong></td>
<td><strong>33</strong></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>

Source: ABCC

Exhibit D2
GROWTH OF THE ENTERPRISE AGENCY NETWORK
There was a rapid growth in the number of LEAs in the mid 1980s

Source: BiC/SCOTBIC
Exhibit D3

NATIONAL COVERAGE OF ENTERPRISE AGENCIES
Some regions are better served than others

[Bar chart showing LEAs per head of population (millions) for different regions]

Source: BiC 1987 Directory

6. The core of LEA services is business counselling although a range of other services is provided by some agencies. Just how wide ranging their advice and support can be is shown by a diagram prepared by the Southampton Agency (Exhibit D4). The distribution of services shows marked regional variations (Exhibit D5). LEAs in the West and East Midlands provide a narrower range of services than the national average; the Welsh LEAs a significantly wider range.

Exhibit D5

ENTERPRISE AGENCY FUNCTIONS
The services provided by LEAs also vary by region

[Table showing major activities of LEAs by region]

Note: + and – indicate significantly greater or lesser than average incidence of the activity in the region

Source: BiC 1987 Directory
Exhibit D4
SOUTHAMPTON ENTERPRISE AGENCY: SERVICES PROVIDED
A wide range of advice and services from one source

Source: Southampton Enterprise Agency
7. A 1986 survey (Reference 27) showed that, of the LEAs total cash income of £12.4 million, private industry, local government and central government each contributed roughly equal shares of a little over £3 million. The remainder came from European funds and trading income. LEAs are also assisted by secondments, gifts and free services. Central government encourages private sector support through tax relief on contributions and a grant scheme providing matching funding. The number of sponsors varies widely between LEAs. At one extreme the Bristol New Work Trust has over 260 sponsors, at the other more than three-quarters of LEAs have less than 40 sponsors. The number of sponsors does not necessarily indicate the significance of an LEA but does show the variation in private sector involvement. In a discussion document published last year (Reference 28) BiC recommended a rationalisation of the LEA network, with the merger of some LEAs and the concentration of specialist services in 'super-trusts'.

8. Other organisations encourage private sector involvement. The private sector has established a number of agencies to promote physical reconstruction in cities. British Urban Developments (BUD) is a partnership of major companies established to work with the public sector in bringing about developments. It works on purely commercial lines. Phoenix is a non-profit making organisation, one third funded by the DOE, providing expertise and advice on regeneration schemes and available to provide coordination for construction companies involved in major projects. And in the sphere of training the private sector is now being asked by central government to make a major increase in their contribution. The new Training and Enterprise Councils announced in the December 1988 White Paper Employment for the 1990s (Reference 19) will draw most of their members from private sector top management.

CENTRAL GOVERNMENT

9. Central government's involvement with urban regeneration and economic development has a long history. A deliberate inner city dimension to policies emerged more recently, crystallised in the 1977 White Paper and policy announcements of the government which came to power in 1979.

10. Urban regeneration and economic development is affected not only by specific programmes but by all government programmes which impact on some parts of the country more than others. Most government spending programmes have this geographical dimension. In their effect on economic and urban development, central government programmes can be classified as follows:

— those which in their nature have a geographical bias. For example, the social security system automatically benefits areas suffering higher than average unemployment levels. (Tax allowances and reliefs may have a similar effect: mortgage interest tax relief is an example which benefits the more prosperous areas.);

— those where geographical distribution lies within the discretion of government, for example, the national road building programme and location of airports. Also within this category are government purchasing, and decisions on the location of the civil service;

— those where location is not within government's discretion, but which have geographical implications. An important current instance is the Channel Tunnel;
— those specifically aimed at dealing with urban regeneration or economic development.

11. Central government has established a range of schemes in the fourth category. They are managed by a number of government departments (Exhibit D6). Some schemes are closely linked to mainstream activities of the departments under which they are placed. The Safer Cities initiative is linked with the Home Office’s police and crime prevention responsibilities; YTS and ET are themselves mainstream responsibilities of the DE and the Training Agency. However a set of general schemes is spread over four departments. These include regional selective assistance in DTI, the Urban Programme and City Grant in DOE, the small firms loan guarantee scheme in DE and Section 11 grant in the Home Office. Grant assistance to educational institutions is also widely spread: the Training Agency is responsible for most of the schemes which promote training and work preparation, but DES is responsible for PICKUP and REPLAN. Education is the main beneficiary of Section 11 grant which is administered by the Home Office.

Exhibit D6
CENTRAL GOVERNMENT SPECIAL INITIATIVES
The government’s specific response to urban problems is dispersed across several different departments

<table>
<thead>
<tr>
<th>DTI</th>
<th>DOE/DTp</th>
<th>DE/TA</th>
<th>Home Office</th>
<th>DES</th>
</tr>
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<tr>
<td>⋅ Regional selective assistance</td>
<td>⋅ Urban programme</td>
<td>⋅ Youth training scheme</td>
<td>⋅ Section 11 grant</td>
<td>⋅ City technology colleges</td>
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<tr>
<td>⋅ Task forces</td>
<td>⋅ City grant</td>
<td>⋅ Employment training</td>
<td>⋅ Safer cities</td>
<td></td>
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<tr>
<td>⋅ Enterprise initiative</td>
<td>⋅ Urban</td>
<td>⋅ TVEI</td>
<td>⋅ Ethnic minority business initiative</td>
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<td>⋅ English Estates</td>
<td>⋅ Development Corporations</td>
<td>⋅ Work related NAFE</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>⋅ Derelict land grant</td>
<td>⋅ Compacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>⋅ Enterprise zones</td>
<td>⋅ Loan guarantee scheme</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>⋅ Estate action</td>
<td></td>
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<tr>
<td></td>
<td>⋅ Simplified planning zones</td>
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<td></td>
<td>⋅ Housing action trusts</td>
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<td></td>
<td>⋅ Industrial Devt. Act Grant</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>⋅ Land register</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>⋅ TSG</td>
<td></td>
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Notes

1. In addition responsibility for coordination of English bids on the European structural funds is dispersed as follows:
   DOE - ERDF environmental element
   DTI - ERDF industry element
   DE - ESF

2. Not shown are the government’s mainline activities such as education, health, police, transport, housing, although all address urban problems
URBAN PROGRAMME

12. The urban programme (UP) is the principal central government grant scheme to local authorities aimed at tackling urban problems. The Local Government Grants (Social Need) Act 1969 is the statutory basis for the grant. The existence of special social needs was (and remains) the condition that triggers the grant (Exhibit D7). In the early years only social projects were assisted, but following the 1977 White Paper grant was made available to selected authorities for economic, environmental and other types of project. Grant is paid to support 75 percent of local authorities’ approved UP expenditure.

Exhibit D7
REMIT FOR URBAN PROGRAMME
The government has gradually developed its thinking on the urban programme

‘The Secretary of State may......pay grants......to local authorities who in his opinion are required in the exercise of any of their functions to incur expenditure by reason of the existence in any urban area of special social need’

Local Government Grants (Social Need) Act 1969

‘The Government have now decided to recast the Urban Programme and to extend it to cover industrial, environmental and recreational provision, and other matters, as well as specifically social projects.’

’Policy for the Inner Cities’ 1977 White Paper

‘The role of the Urban Programme is to encourage local authorities to develop a co-ordinated approach and an action programme to tackle the problems of their inner areas; to work with the private and voluntary sectors; to involve other agencies including central Government Departments; to promote and encourage economic activity, enterprise and private investment ....... The Urban Programme is not intended to provide long term funding. .....’

1985 UP Ministerial Guidelines
13. UP is part of the urban group spending programmes. The real value of UP in England fell by 28 per cent between 1983-84 and 1988-89 and is planned to fall by a further 14 per cent of the 1988-89 figure by 1991-92 (Exhibit D8). This has occurred while parts of the urban group under direct government control (e.g. Urban Development Corporations and City Grant) have been growing in real terms. In Wales, in contrast, UP allocations have been steady in real terms since 1983-84 (Exhibit D9).

Exhibit D8

**URBAN GROUP RESOURCES: ENGLAND (March 1988 Prices)**

There is a continuing switch of government resources from urban programme to the UDCs and City Grant

Exhibit D9

**URBAN PROGRAMME ALLOCATIONS: WALES (March 1988 prices)**

In Wales UP spending has remained steady

14. UP is administered separately for England (by DOE) and Wales (by the Welsh Office) and there are currently significant differences between the procedures in the two countries.

15. In England UP funding has been available since 1987-88 only to local authorities and health authorities in 57 districts, for each of which an inner area programme (IAP) must be submitted to and approved by the DOE.
16. The list of 57 districts is the outcome of a process of rationalisation and increasing concentration (Exhibit D10). Before 1987-88 UP allocations had been divided between:

— allocations to a restricted list of partnership and programme authorities for the full range of economic, social, environmental and housing projects and claimed on a programme basis;

— traditional urban programme (TUP) claimable for social projects by all other authorities able to demonstrate need, on a project by project basis;

— allocations to ‘other designated districts’ (ODDs) for industrial and commercial projects, additional to any TUP they might receive. Designation under the Inner Urban Areas Act 1978 (which also covered the partnership and programme authorities) gives local authorities additional powers to aid industry and commerce.

*Exhibit D10*
**URBAN PROGRAMME ELIGIBILITY. CHANGES TO AUTHORITY DESIGNATIONS (ENGLAND ONLY)**
UP resources are now available to only 57 authorities

17. These categories formed a hierarchy, running from partnerships through programme and ODD status to undesignated districts, which was crucial in determining UP allocations:

*Table D1*
**DISTRIBUTION OF URBAN PROGRAMME ALLOCATIONS (1986-87)**

<table>
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<th>Type</th>
<th>No. of Authorities</th>
<th>% of Total Allocation</th>
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</thead>
<tbody>
<tr>
<td>Partnership</td>
<td>9</td>
<td>47</td>
</tr>
<tr>
<td>Programme</td>
<td>23</td>
<td>37</td>
</tr>
<tr>
<td>TUP and ODDs' industrial and commercial allocations</td>
<td>46</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>78</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: DOE 'The Urban Programme 1986/87' (Reference 12)*

Thus the distribution was strongly skewed in favour of the partnership authorities.
18. In Wales procedures for administering UP are very different; they follow the system by which traditional urban programme used to be administered in England. Any authority is free to submit projects for grant aid if it can show urban need, although priority is given to the 10 districts designated under the Inner Urban Areas Act. Some 60 per cent of total Welsh UP resources was allocated to designated districts in 1988-89. Assessment is on a project by project basis, without the benefit of a programme or strategy document.

CITY GRANT

19. City Grant is payable in England directly to the private sector to support projects which contribute to the economic and physical regeneration of run-down urban areas. The projects must have a value of over £200,000 and grant is equal to the difference between the cost of the project and its value, either on disposal or to the business. Projects from the 57 IAP districts are given preference, although they need not lie within the districts' priority areas. The grant is payable by the DOE, except in UDC areas where the development corporation does the assessment and pays the grant. It was introduced in May 1988, replacing:

— Urban Development Grant (UDG) payable by local authorities towards private sector projects (with 75 per cent central government support);
— Urban Regeneration Grant (URG) payable by central government;
— private sector Derelict Land Grant in the IAP areas.

In Wales UDG and URG have recently been replaced by Urban Investment Grant, operated on similar lines to City Grant.

20. Government expenditure plans for City Grant and its predecessors show a rising trend with a near doubling between 1988-89 and 1989-90. In the first 10 months of the scheme 52 grants totalling £44.5 million were awarded:

<table>
<thead>
<tr>
<th>Table D2</th>
<th>CITY GRANTS APPROVED MAY 1988 - MARCH 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>All city grants</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>DOE</td>
<td>36</td>
</tr>
<tr>
<td>UDC</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>52</td>
</tr>
</tbody>
</table>

Source: DOE
The projects assisted were funded by £172 million from the private sector, a gearing of 3.9:1.

SECTION 11 (COMMONWEALTH IMMIGRANTS) GRANT

21. This grant is made to local authorities which have to make special service provision as a consequence of the presence in their area of immigrants from the Commonwealth 'whose language or customs differ from those of the community'. Only staff costs are eligible and grant is paid at a rate of 75 per cent. The statutory authority is Section 11 of the Local Government Act 1966. In 1988 the grant was the subject of a 'Rayner scrutiny'; a comprehensive report on the scrutiny was published in July 1989.
22. Like UP, Section 11 grant is cross-service and the Home Office, which administers it, encourages its use to promote a coordinated strategy. The 12,000 posts supported cover a wide range of functions including economic development officers working with black businesses. However, education, traditionally the main beneficiary, still accounts for 78 per cent of the posts.

23. In 1986-87 109 local authorities received grant (latest information suggests this figure has now grown to 130). The authorities must take the initiative in putting forward posts for aid and the level of take up varies significantly (Exhibit D11). Dividing the 1986-87 grant figures by the 1981 census numbers of people in households whose head was born in the New Commonwealth or Pakistan produces the following figures:

<table>
<thead>
<tr>
<th></th>
<th>Grant per head</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheffield</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Bradford</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Manchester</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Birmingham</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Liverpool</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

*Exhibit D11

**SECTION 11 GRANT**
Take up of grant varies widely

*Source: Home Office*
EUROPEAN ASSISTANCE

24. The European Communities' structural funds are an important source of assistance for disadvantaged areas. For urban areas assistance is given from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The government estimates that UK receipts from the two funds will equal £853 million in 1989-90, growing to £932 million in 1991-92. A major reform of these funds came into force on 1 January 1989, involving:

— a doubling of the funds in real terms between 1987 and 1993;
— coordinated allocations from the funds to meet a series of five objectives;
— concentration of assistance on areas defined for each of the objectives.

Bids for assistance are increasingly being supported by comprehensive sub-regional Integrated Development Operations (IDOs) and National Programmes of Community Interest.

25. A part of UK receipts is used to fund central government regional assistance to industry. But the bulk remains to assist locally prepared programmes. Local authorities are expected to take the lead in assembling these programmes, drawing in other public sector bodies as appropriate (e.g. British Rail). Good quality submissions are vital because the UK is now bidding against other member states: the former system of fixed national quotas has been abolished.

26. The rewards for preparing programmes can be substantial. Birmingham received the first UK IDO approval, carrying with it assistance of £203 million for the area over the period 1987 to 1991. A number of other IDOs are in the pipeline. But nationally the record of local authorities is patchy (Exhibit D12). Some authorities suffering high levels of unemployment

Exhibit D12
EUROPEAN FUNDS (BY COUNTY AREA) 1986 and 1987 combined
ESF and ERDF resources do not necessarily go to the areas of greatest need

Source: Local Government International Bureau
have been relatively poor at obtaining European assistance and some of the best performers are these with less severe problems. The recent reforms should direct assistance more efficiently to areas of need. But a key role will remain with local authorities.

**VOLUNTARY SECTOR**

27. It is difficult to establish the size of the voluntary sector, but the National Council for Voluntary Organisations (NCVO) in a recent report (Reference 29) estimated the annual turnover of voluntary organisations in the 57 English IAP areas at £400 million in grants and trading income and as much again in fees and payments for contract work. As an illustration of their significance at a local level, in Butetown, an inner city area of Cardiff with a population of 3,300 in the 1981 census, there were 65 local voluntary organisations (although not all are concerned in urban regeneration).

28. The voluntary sector's most significant contribution is in the social aspects of community life but they are moving into the economic aspects of regeneration. They are involved in training schemes, and in some areas are encouraging businesses to develop out of schemes started on a voluntary basis. An example of the type of imaginative project initiated is the Tiger Bay Watersports Project. This aims to provide training in watersports for young people in the Cardiff Bay area, so that they can apply for jobs as instructors in the leisure enterprises to be developed once the Bay is enclosed.

29. Voluntary organisations have the advantage of close contact with local people, drawing on their enthusiasm and efforts. They can act with greater flexibility than statutory organisations. Also they help build up the confidence and skills of the local community in tackling problems for themselves. This opens the way for tackling other problems locally, and also to participants being better able to get jobs or set up their own businesses. The building up of this network of contacts, organisations, and tradition of working together is a key aspect of urban regeneration, easily overlooked against the more obvious impact of physical redevelopment or job creation. *Faith in the City* (Reference 30) identified a sense of powerlessness as one of the main aspects of deprivation in urban priority areas: voluntary action is one way in which people can take more control over their local area.

30. Some local authorities have taken useful initiatives to help voluntary organisations develop. For instance the London Borough of Hackney Community Development Unit has published a comprehensive booklet which combines the authority’s conditions on financial assistance with general guidance on organisation and employment and details of contacts within the authority.
31. Voluntary organisations also depend on the public sector for financial support. The sums involved are significant. In 1987 it was estimated that Community Programme was providing £500 million per annum to voluntary organisations. They are currently receiving about £65 million per annum from Urban Programme, about a quarter of the total (Exhibit D13). This proportion has doubled in the last 10 years. The Home Office also provides financial assistance and many local authorities make provision for voluntary organisations from their own budgets.

Exhibit D13
URBAN PROGRAMME EXPENDITURE ON VOLUNTARY SECTOR PROJECTS
An increasing proportion of UP expenditure goes to the voluntary sector

Source: DOE
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**LIST OF ABBREVIATIONS**

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACC</td>
<td>Association of County Councils</td>
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<tr>
<td>ADC</td>
<td>Association of District Councils</td>
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<tr>
<td>AMA</td>
<td>Association of Metropolitan Authorities</td>
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<td>ABCC</td>
<td>Association of British Chambers of Commerce</td>
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<td>BiC</td>
<td>Business in the Community</td>
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<td>BUD</td>
<td>British Urban Development</td>
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<td>CBI</td>
<td>Confederation of British Industry</td>
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<td>CAT</td>
<td>City Action Team</td>
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<td>CPO</td>
<td>Compulsory Purchase Order</td>
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<td>DE</td>
<td>Department of Employment</td>
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<td>Department of Education and Science</td>
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<td>Department of Health</td>
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<td>Derelict Land Grant</td>
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<td>DOE</td>
<td>Department of the Environment</td>
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<td>Department of Trade &amp; Industry</td>
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<td>Department of Transport</td>
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<td>ET</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>European Social Fund</td>
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<td>Economic &amp; Social Research Council</td>
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<td>EZ</td>
<td>Enterprise Zone</td>
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<td>GLC</td>
<td>Greater London Council</td>
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<td>HO</td>
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<td>HRA</td>
<td>Housing Revenue Account</td>
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<td>Inner Area Programme</td>
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<td>Integrated Development Operation</td>
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<td>London Docklands Development Corporation</td>
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<td>Loan Guarantee Scheme</td>
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<td>Metropolitan Borough Council</td>
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<td>NAFE</td>
<td>Non-advanced further education</td>
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