Social Policy in a Cold Climate

Summary Working paper 19

January 2015

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The Coalition's Record on Area Regeneration and Neighbourhood Renewal 2010-2015

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In the decade to 2010, substantial progess had been made to improve living conditions, and outcomes in the poorest neighbourhoods. But large gaps remained. How did the Coalition tackle this issue, and what was achieved?

- The Coalition set out no aims in relation to neighbourhood inequalities and conditions. It argued that regeneration was a local issue, with national government in a 'strategic and supporting role'. It stopped monitoring spatial inequalities or setting targets.
- Existing neighbourhood renewal programmes were cancelled, and replaced by very small scale schemes to support community organising and projects in coastal and coalfield communities. Spending on these schemes averaged £32m per year. By comparison, the previous government's Neighbourhood Renewal Fund alone cost £500m per year.
- The government concentrated its efforts on promoting local economic growth, especially after the 2012 Heseltine Review when efforts were stepped up. Local Enterprise Partnerships (LEPs) were established, and could negotiate new Local Growth Deals to fund housing and infrastructure developments, while 'City Deal' status gave 28 urban areas powers to attract private investment in return for pledges on innovation and efficiency.
- The early impact of the Government's new programmes on jobs, business creation and new homes fell well below expectations. Initial forecasts for Enterprise Zones and the Growing Places Fund were revised downwards.
- Neighbourhood conditions and inequalities depend on many factors including the economy, public services, benefits and voluntary activity as well as regeneration programmes. At this stage there is no evidence of regional re-balancing of the economy and austerity measures have hit the poorest areas hardest. All of this leaves the poorest neighbourhoods very vulnerable.
- Indicators to date do not suggest a spiral of decline. However, gaps between the poorest neighbourhoods and others, which got wider during the recession, had only slightly narrowed again by 2013. Large disparities remain on all key indicators.

Government investment in area regeneration and local renewal was severely curtailed by the Coalition. It will be leaving much the same inequalities between the poorest and richest neighbourhoods to its successor as it inherited.

What were the Coalition's aims and goals?

The Coalition came to power following more than a decade of concerted investment in disadvantaged areas. Labour, especially in its first two Parliaments, had adopted a distinctive approach to tackling and monitoring spatial inequalities: gaps in living conditions and outcomes for people living in different places. National funding programmes supported regeneration initiatives, local authorities were required to develop neighbourhood renewal policies, and government departments were expected to consider the impact of their policies on the poorest neighbourhoods. There was evidence that this approach was working and represented good value for money, although gaps remained very large and some showed signs of widening after the economic crisis. The economy remained regionally unbalanced, with insufficient growth in the North hindering renewal of poor neighbourhoods there.

Inheriting this situation, Conservatives and Liberal Democrats expressed no explicit aims in relation to neighbourhood disadvantage or inequalities, either in their manifestos, their programme for government, or any subsequent policy document. This is a very striking policy position which contrasts not just with Labour's approach but with those of previous UK governments and the current devolved administrations in Scotland, Wales and Northern Ireland.

The House of Commons Communities and Local Government Committee described the government as *"lacking strategic direction and being unclear about the nature of the problem it is trying to solve"*. The government has insisted that it sees regeneration as a local not a national issue. Its response to the Committee's criticism was that local partnerships should develop plans and strategies for regeneration if needed.

Central government would take a strategic and supportive role "*to ensure that local economies prosper, parts of the country previously over-reliant on public funding see a resurgence in private sector enterprise and employment, and that everyone gets to share in the resulting growth"*. There would be no direct intervention or monitoring to ensure that this happened.

What did the Coalition do?

Abolition of existing programmes

The Coalition abolished the main funds for neighbourhood renewal under Labour, including the Working Neighbourhoods Fund (previously the Neighbourhood Renewal Fund) and the Housing Market Renewal (HMR) programme. The latter was a large programme (about £300m per year) whose cancellation came nine years through a 15-year plan, and was controversial because clearance and building schemes were half way through. The Government provided a £5m transitional revenue fund towards dealing with the consequences, and a £35.5m capital fund, requiring matched contributions from local authorities.

Labour policies that encouraged socially 'mixed' communities of private and affordable housing also disappeared. The Coalition also stopped making use of time-limited area regeneration schemes, such as the City Challenges, Single Regeneration Budget schemes, and New Deals for Communities used by previous Labour and Conservative governments.

Local economic growth

Shortly after taking office, the Coalition set up a new structure for local economic development. It abolished Regional Development Agencies (RDAs) and Government Offices for the Regions (GORs). In their place, 39 Local Enterprise Partnerships (LEPs) were set up. Instead of regions, these covered “functional economic areas”. Local authorities and business, working together, were expected to finance their own running costs. Awarded the role of supporting high growth businesses, infrastructure projects and strategic housing priorities LEPs had the added task of connecting unemployed people to work. Some of the 39 approved covered major cities, or rural counties, but others took intended growth corridors, such as that around the M3 motorway, as their catchment area.

LEPs could apply to establish Enterprise Zones (EZs) within their area, where planning regulations were simplified and they could keep business rates collected in their designated area. They could also apply to a new Growing Places Fund for small infrastructure projects. Some LEPs were chiefly concerned with business sites, rather than residential areas, and while some included neighbourhood regeneration in their strategies, others did not.

The Government also struck “City Deals” with 28 urban areas, giving them powers to attract private sector investment in return for commitments to innovation and efficiency. A Regional Growth Fund targeted private business development in parts of the country deemed to have become “too heavily reliant on the public sector for growth”. New local government funding arrangements allowed a phased retention of local business rates, a bonus for new homebuilding in their areas, and permission for councils to use anticipated future tax receipts to support investment in local economic development.

A subsequent policy phase was launched in 2012 after the former Conservative Minister, Lord Heseltine, was asked to report on innovative ways to stimulate economic growth. Lord Heseltine, who had championed urban development policy in the 1980s, concluded that the Coalition’s approach had been too timid and piecemeal. In response, the Government introduced Local Growth Teams to coordinate central government activity at LEP level. Work began on creating development strategies for 11 key sectors of industry. LEPs were given a further role in establishing ‘single pots’ of funding for housing and infrastructure projects known as Local Growth Deals. These were for major economic development schemes, rather than any wider form of neighbourhood regeneration.

Only two small programmes were put in place that specifically targeted poorer neighbourhoods. One was a £24m fund for projects to help communities in coastal areas. The other was a £30m grant to the charitable Coalfields Regeneration Trust, supporting community renewal in former mining areas. In return, the Trust was expected to develop a “partners programme” with a view to becoming self-funding by 2015. The money was also to be used for a small business loan scheme. However, the Government simultaneously announced a review of physical regeneration projects funded in coalfield areas by the Homes and Communities Agency with an expectation that they would not all be allowed to continue.

New powers for communities

Through its Localism Act 2011, the Coalition conferred new rights on community groups to bid for the purchase of community facilities, or to take over council services if they thought they could run them better. They were also given the right to propose neighbourhood plans and small-scale developments for approval by local referenda. A £4.3m fund was created to support community activity and ownership by helping resident-led partnerships to develop pooled neighbourhood budgets (called “Our Place!”). A Community Shares Unit was set up to encourage fund raising for finance community enterprises through the sale of shares.

For disadvantaged neighbourhoods specifically, the Coalition announced a programme to train 5,000 organisers (mostly volunteers) to encourage action at community level. In addition, a £30m Neighbourhood Match scheme (part of a larger Community First Fund) provided small grants for projects proposed by residents provided the money was 'matched' by local donations in cash or in kind.

How much did the Coalition spend?

Central government funding for neighbourhood renewal in disadvantaged areas was cut dramatically. Spending on programmes targeting deprived areas has averaged around £32m per year. By comparison, the Neighbourhood Renewal Fund under Labour cost £500m per year, the Housing Market Renewal Programme £300m per year, and the New Deal for Communities programmes £200m a year.

Department for Communities and Local Government figures, meanwhile, show that wider spending on regeneration (defined to include spending on all housing programmes, major infrastructure projects, and community programmes) fell from £11.2bn in 2009/10 to £3.9bn in 2011/12. The £2bn Local Growth Fund and other initiatives following the Heseltine review will have added significantly to this amount. But spending remains a long way below its level under Labour.

Funding for local government should also be considered, given the role of councils in neighbourhood management and more specific action to meet the social and economic needs of their poorest localities. Available figures show that local authorities have lost out heavily in the Coalition's austerity programme, with expenditure cut by around 29 per cent since 2008/9 according to some estimates. Local authorities in more deprived areas have lost more funding per head than their counterparts in richer areas.

What was achieved?

Funding for renewal work was severely curtailed

There has been very little new neighbourhood renewal activity in disadvantaged areas as a result of the Coalition's policies. Given the way that funding was heavily restricted, this is not surprising. Evidence suggests that 540 Community Organisers have been recruited to date (out of a proposed total of 5000). In addition, 11,000 small-scale projects in poor areas have been recommended to receive £17m under the Neighbourhood Match scheme for poor areas. September 2014 figures also showed that 141 areas have successfully bid for "Our Place" projects, ranging from neighbourhoods to whole local authorities.

Research suggests that local authorities have often tried to protect poorer neighbourhoods from front-line services cuts, but that the scope for achieving efficiency savings by pruning 'backroom' support services is disappearing. Voluntary sector organisations serving disadvantaged neighbourhoods have also been affected by local and national spending cuts. One study of coalfield communities up to 2014 found voluntary and community organisations had lost between half and all their funding. According to an independent audit, the voluntary sector overall is likely to have lost around £6.6bn of annual income by 2017-18, compared with 2010-11 levels.

The early impact of business regeneration and community enterprise programmes fell well below expectations

The Coalition's regeneration policies focused on the promotion of business regeneration and community enterprise. Information on what has been achieved in these areas is sparse, but suggests an impact that has fallen below expectations. An initial forecast that Enterprise Zones would produce 54,000 new jobs by 2015 was revised down to between 6,000 and 18,000. By December 2013, an estimated 4,600 new jobs had been created, rising to a reported 12,530 by November 2014. Initial targets for the Growing Places Fund of 217,000 jobs, 5,300 businesses and 7,700 homes by 2015 were revised down to 142,300 jobs, 1,400 businesses and 6,100 homes. An estimated 419 jobs, three businesses and 155 homes had been created by December 2013, rising to 976 jobs, 81 businesses and 342 housing units by June 2014.

The House of Commons Public Accounts Committee, in 2014, found that by 2012-13 just £400m of the £3.9bn allocated for local growth had reached local projects. It also criticised the Department for Communities and Local Government and the Department for Business, Innovation and Skills for lacking enough monitoring data to understand the impact of their regeneration schemes. It found the available evidence "*particularly underwhelming*". The Government subsequently insisted that processes for delivering local growth funding had been accelerated. Longer-term targets for the Regional Growth Fund were upgraded from 41,000 additional jobs to 77,700 by the mid-2020s. However, estimates for the cost per job created also increased, from £30,400 in Round One of the programme to £52,300 in Round Four.

Regional job growth was concentrated in London and the South East

There has been no early evidence of any regional rebalancing of the national economy. However, it is early days to be looking for significant change and available data precedes the Government's Growth Deal following the Heseltine review. Nearly all private sector job growth between 2009 and 2012 took place in London and the South East. Yorkshire and the Humber lost both public and private sector jobs, as did the South West. In the North West and North East there was insufficient private sector job growth to compensate for public sector job losses.

This pattern of uneven growth is also evident in house prices, which are available up to 2013. House prices also continued to diverge, with the highest value homes gaining in value while the majority struggled to recover their peak 2007 value. In London average prices rose 25 per cent while in all three Northern regions they fell between 2007 and 2013.

Continuing regional imbalances make prospects of neighbourhood regeneration in the North less likely.

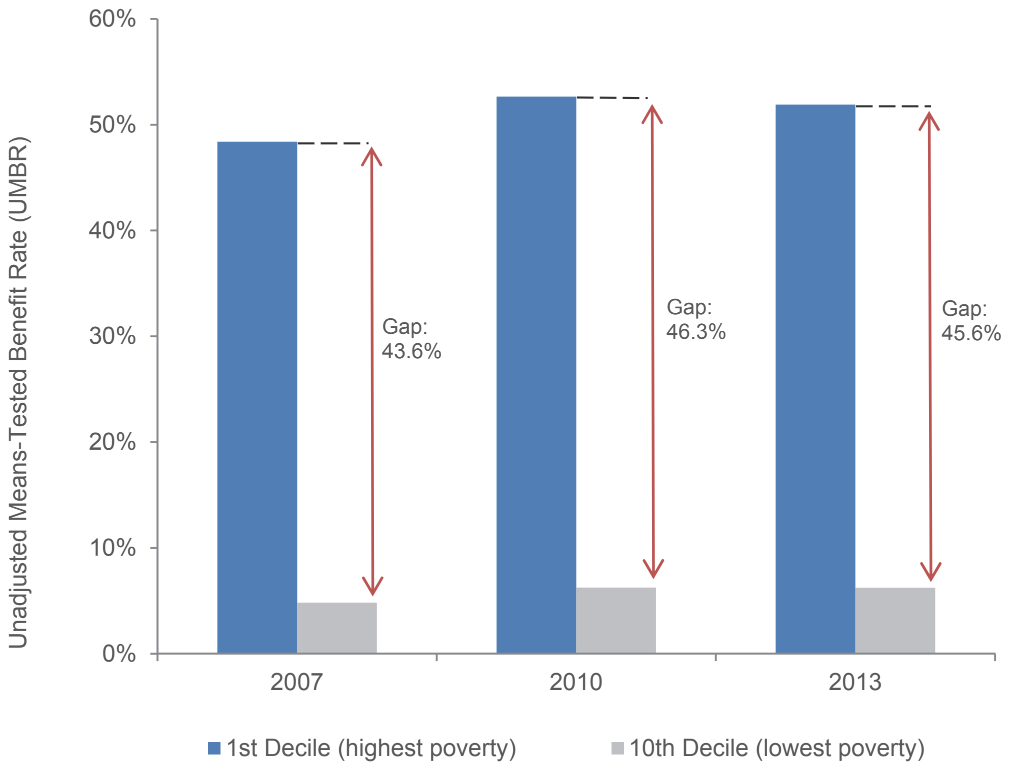
Gaps in social and economic outcomes between disadvantaged and prosperous neighbourhoods remained wide

Evidence of what has happened at neighbourhood level is sparse. Economic measures suggest that problems worsened and gaps got wider during the recession, and there has been a slight improvement since, but not enough to return to the situation before the crisis.

Poverty is not directly measurable at neighbourhood level. Other papers in this series show that, nationally, poverty measured against a fixed threshold (based on median incomes in 1996-97), has risen since 2009/10. But inequality has fallen because the incomes of middle and higher earners have also been hit by recession. So we might expect rising poverty in the poorest neighbourhoods, but not necessarily a widening gap with other places.

Official poverty measures (the proportion of households below 60 per cent of the median income) are not available at neighbourhood level. Previous research shows that the best local proxy is an indicator we call the unadjusted means-tested benefit rate (UMBR). This is the total of people in an area claiming Income Support or Employment and Support Allowance, Job Seekers Allowance or the Guarantee Element of Pension Credit, divided by the number of households. In both poorer and richer neighbourhoods, UMBR rates increased between 2007 and 2010 as the recession hit, and fell back slightly by 2013. Note that eligibility for some of these benefits has been reduced since 2010. The rise and then fall left the gap between the richest and poorest neighbourhoods higher than before the financial crisis, but lower than in 2010 (Figure 1). We see a similar pattern if we look at 'workless' benefits for people of working age (not shown)

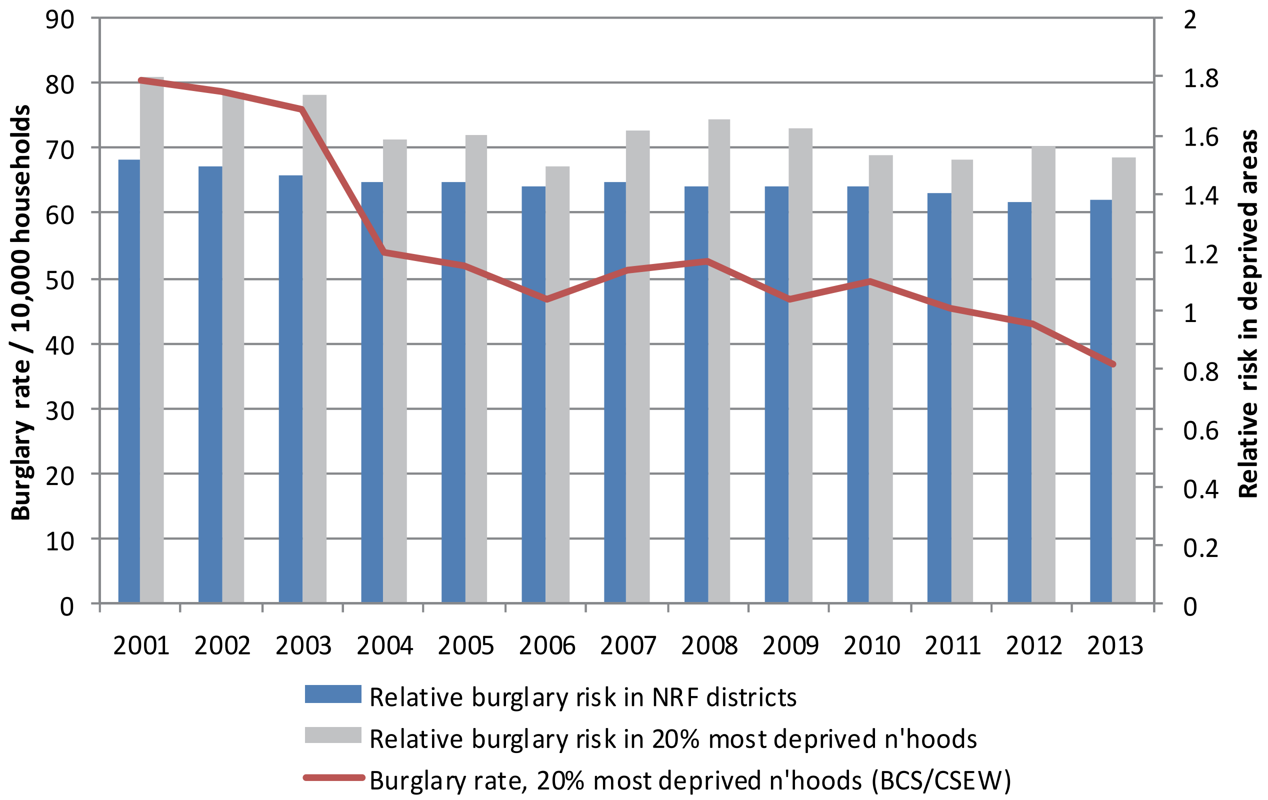
Figure 1: Gap in means-tested benefit rate between poorest tenth and least poor tenth of neighbourhoods fell, but not yet back to pre-crisis levels



Decile groups are as at 2010

In terms of whether the lowest income neighbourhoods have become better or worse places to live, the evidence is mixed. Nationally, despite the recession, there has been a continuing fall in domestic burglary, according to the British Crime Survey/Crime Survey for England and Wales. As the line in Figure 2 shows, this has affected the poorest neighbourhoods too. The bars in this chart show the relative risk of burglary for households living in deprived neighbourhoods compared with elsewhere. There was a slight decrease in burglary risk in local authority areas formerly targeted by the neighbourhood renewal fund, compared with others, but no real change in the twenty per cent most deprived areas compared with others.

Figure 2: Trends in Domestic Burglary in the Poorest Neighbourhoods Compared with Others



Data on self-reported neighbourhood satisfaction is only available till 2012. This shows that among people in the most deprived neighbourhoods, the percentage of people who said that they were 'slightly' or 'very' dissatisfied with their area as a place to live was at its lowest point in 2010 since 1999, but started to rise again after that. A longer time series is needed to ascertain whether rates of neighbourhood dissatisfaction are really changing. But a Cabinet Office survey shows that differences in neighbourhood life remain very wide. In 2012/13, only 22 per cent of people living in the most deprived ten per cent of areas thought that many people in the neighbourhood could be trusted, compared with 73 per cent in the least deprived. 52 per cent of people thought that people pulled together to do things, compared with 79 per cent in the least deprived areas.

Conclusion

In the face of substantial spatial inequalities, and evidence that regeneration policies were working and represented good value for money, the Coalition made a substantial change of policy direction. While substantially reducing the amount of central funding available, the Government maintained that neighbourhood renewal was a matter for local partnerships and community action.

It has concentrated most of its efforts in this area on promoting local economic growth, particularly after the Heseltine Review, which resulted in greater investment and coordination. However, central spending on housing, major infrastructure and community programmes remains a long way below its level under Labour. Early evidence showed disappointing results in terms of promoting local job creation, new businesses and housing. Re-balancing the economy sectorally and geographically remains a challenge, with no evidence to date of progress, although it is early days. Employment and other growth in the Coalition's first two years was concentrated in London and the South East

The government has emphasised the important role of the 'Big Society' but programmes to support resident organising have been very small scale and not backed by any significant regeneration funds to support action. Scope for local authority action has also been limited by severe cuts to local authority funding.

Whether this lack of central government action will have a negative effect on living conditions in the poorest neighbourhoods, on social and economic outcomes for residents or on gaps between poor neighbourhoods and others will depend on a number of factors including not only economic growth but; the extent to which the investments and structures established in the 2000s have created resilience; the extent to which mainstream programmes are able to tailor efforts to the residents of poor neighbourhoods (how schools spend Pupil Premium money, for example); and the capacity of residents and voluntary organisations to meet community needs. It has been a risky strategy, and not one that the administrations in Scotland, Northern Ireland and Wales have opted to follow.

While there appears to be no evidence to date of further decline among the poorest neighbourhoods, their circumstances show little improvement since 2010, when gaps that had narrowed during the early-mid 2000s had opened up again after the financial crisis. In this area of policy, the Coalition will be leaving much the same problems to its successor as it inherited.

Further information

The full version of this paper *The Coalition's Record on Area Regeneration and Neighbourhood Renewal: Policy, Spending and Outcomes 2010- 2015* is available at http://sticerd.lse.ac.uk/dps/case/spcc/WP19.pdf This is one of a series of papers produced as part of CASE's research programme *Social Policy in a Cold Climate* (SPCC). The research, concluded in 2015, examines the effects of the major economic and political changes in the UK since 2007, focusing on the distribution of wealth, poverty, inequality and social mobility.

Social Policy in a Cold Climate is a research programme funded by the Joseph Rowntree Foundation, the Nuffield Foundation, and Trust for London. The views expressed are those of the authors and not necessarily those of the funders.