

# **Regional Development Agencies and the future of Physical Regeneration in England**

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## **EXECUTIVE SUMMARY**

### **RDAs and the future of physical regeneration in England**

#### **THE RESEARCH**

The main objective of the research was to reveal the extent of Regional Development Agencies' commitment to physical regeneration.

Its aims were to:

- examine RDA spending in terms of the funding of physical and economic regeneration;
- speculate upon the likely spatial and functional characteristics of RDAs' commitment to physical regeneration;
- highlight variations between RDAs in terms of plans, priorities and spending;
- contextualise spending on regeneration across a range of funding regimes looking at the balance between physical and social regeneration.

#### **KEY FINDINGS**

##### **'Extra resources for physical regeneration increasingly polarised'**

- approximately £1bn was spent by the Government on physical regeneration in England in 2001/02, more than half of which was channeled through the RDAs;
- expenditure on regeneration is forecast to increase by 8½% over the next year to nearly £1.8bn by 2003/4 (CSR 2002);
- RDAs' budgets are forecast to increase by £375m over the next three years, a real terms increase of 4.5% per annum, to £2bn by 2005/6 (CSR 2002).
- by 2005/06 the RDAs' uncommitted resources in the single pot are forecast to be £910m, still less than half their annual funding (CSR 2002);
- there appears to be a shift in departmental and RDA expenditure from revenue to capital, which could benefit physical regeneration;
- resources for physical regeneration are split between the business development and competitiveness agenda of RDAs and the neighbourhood housing rehabilitation remit of Government Offices;
- this polarisation of the economic growth and neighbourhood renewal agendas impairs holistic regeneration through physical-led, mixed-use renewal projects, which fall between the two stools;
- total investment in physical regeneration by New Deal for Communities and the Neighbourhood Renewal Fund is predicted to be in excess of £1bn over ten years.

##### **'Physical regeneration not a priority for RDAs'**

- The Government's aspiration for RDAs to lead the physical regeneration of urban areas is not being met and reclamation of derelict inner urban

- land for mixed-use development may not be given the priority that the Urban Task Force Report and Urban White Paper called for;
- RDAs' have only one statutory purpose that relates to regeneration which, if interpreted narrowly, relegates regeneration to a subset of economic development;
  - of the RDAs' three tiers of targets only Tier 2, Regional Outcomes, relate specifically to 'urban regeneration', the 'urban renaissance' and 'physical regeneration or development';
  - only one of the nine 'State of the Region' indicators (percentage of new homes built on previously developed land) relates to physical regeneration;
  - the flexibility offered by the single programme (pot) has been fettered by the Government's desire to micro-manage the RDAs through performance regimes and targets;
  - the DTI is the lead department for RDAs but the majority of their funding (84%) still comes from the Office of the Deputy Prime Minister (ODPM);
  - the inadequacy of the gap fund replacement schemes will force RDAs to contemplate pursuing physical regeneration through direct development and joint ventures.

#### **'RDAs favour physical development over urban renaissance'**

- RDAs have been rolling out inherited programmes; as these commitments diminish RDAs will have increasing freedom to shape their own programmes and invest resources according to their priorities;
- some RDAs transferred resources from land and property budgets, ahead of the single pot, to activities aimed at promoting business development and competitiveness;
- the prioritising of economic development by RDAs has necessarily reduced their commitment to social regeneration initiatives that were hitherto funded under the SRB Challenge Fund;
- RDAs are developing sub-regional strategies and funding sub-regional partnerships to pursue their strategies and action plans;
- There is a strong temptation for RDAs to direct resources towards physical activity that contributes to economic growth and business competitiveness rather than more complex development opportunities in run-down urban areas;
- most RDAs place great emphasis on clusters (hubs) to deliver economic outputs but are vague about how physical development can support their cluster strategies;
- RDAs claim that they wish to encourage mixed-use development but offer little indication as to how this will be achieved nor what funding is going to be made available to overcome the barriers that confront mixed-use schemes;
- RDAs' business and action plans make little reference to the securing of European money to contribute to their activities;

- RDAs acknowledge the contribution of URCs to delivering the urban renaissance, but few identify the resources that they intend to dedicate to these local delivery bodies.
- RDAs have to operate within a highly complex performance management regime and do not have control over some of the outputs by which they are judged.

#### **‘English Partnerships – partner or rival?’**

- EP have been tasked with delivering residential and mixed use development on brownfield sites, to compensate for the reluctance of RDAs to engage wholeheartedly in this type of activity;
- EP is set to become a key agent in tackling housing shortages, by assembling brownfield sites for residential development, concentrating initially on a list of 42 strategic sites;
- the recommendation that EP forges closer working links with other quangos such as the Housing Corporation and RDAs, constitutes something of an admission that it has not been as effective at partnership working as its name would suggest;
- EP will have the new housing gap funding scheme at its disposal with which to attract more private sector investment in brownfield housing development;
- EPs role as a key agency for delivering the ‘urban renaissance’, appears to compensate for the RDA’s underperformance in this area.

#### **Recommendations to RDAs**

- RDAs need to prioritise physical regeneration activity if they are to successfully deliver elements of their regional economic strategies;
- RDAs should appreciate that sub-regional partnerships are no substitute for more accessible local partnerships that can deliver successful regeneration on the ground;
- RDAs should avoid focusing on single use business developments to the detriment of holistic urban regeneration;
- RDAs need to take a proactive role in encouraging mixed-use development rather than just expressing it as desirable outcome with little commitment to make it happen;

#### **Recommendations to Government**

- there needs to be a clear operational demarcation between EP and the RDAs;
- economic development and neighbourhood renewal agendas need to be joined up
- a consolidated and coherent depiction of annual Government regeneration expenditure and programme spend is needed;
- RDAs should have fewer, more precise targets that focus on actual outcomes that they themselves can influence;

- responsibility for RDAs and their main funding source should be unified in one Government department.

### **Further Research**

The current work is not definitive. It represents a step towards clarifying the likely commitment of RDAs to physical regeneration as just one part of their activities. Further work is required to:

- continue to scrutinise how many direct developments, CPOs and gap funded schemes have been initiated by RDAs, to assess whether their strategies are matched by their actions;
- examine RDAs' annual reports, accounts, action plans and strategies to identify funding priorities through the allocation of resources;
- investigate the spatial implications of clusters and whether they will address need rather than merely create opportunities;
- study the development and performance of URCs to reveal barriers to progress and opportunities to enhance their effectiveness.

## **1.0 Introduction and background to the research report**

### **1.1 The brief**

The objective of the research report is to reveal the scope of current and future Regional Development Agency (RDA) activity to promote physical regeneration.

It aims to:

- Examine RDA spending in terms of the funding of physical and economic regeneration
- Speculate upon the likely spatial and functional characteristics of RDAs' commitment to physical regeneration
- Highlight variations between RDAs in terms of plans, priorities and spending
- Contextualise spending on regeneration across a range of funding regimes looking at the balance between physical and social regeneration

The aims were shaped by the often anecdotal evidence of experts and practitioners in the field. These can be summarised in the form of three differing propositions, that:

1. Over the last five years there has been a general policy shift away from physical regeneration to a softer, social-led regeneration agenda to tackle social exclusion
2. RDAs' single programme is likely to shift priorities away from social/community-led schemes towards their number one priority of improving economic growth and competitiveness in their respective regions
3. RDAs are moving towards a more economic driven agenda that prioritises projects that contribute towards economic development targets, but this risks marginalising projects that contribute towards the physical aspects of the 'urban renaissance'.

### **1.2 Methodology**

The research undertaken to compile this report was predominantly secondary in nature, using mainly qualitative information - although some quantitative data was used to capture the resources, funding, staffing and outputs of the RDAs. An extensive and comprehensive literature review of secondary documents was carried out. Of particular use were the benchmarking and evidence based material generated by Government and its agencies. This was augmented by internet based searches of web sites for all nine RDAs, plus other reliable electronic sources of information. Precise and carefully defined primary research was employed to fill gaps that emerged and provide relevant evidence and illustration.

Information on the RDAs was gathered from their Regional Economic Strategies, Annual Reports and Accounts and their Delivery or Business Plan documents



that set out their plans for the next three to four years. All these documents are publicly available in either hard copy or electronic form. Some RDAs were very efficient and prompt at sending out hard copy versions of their publications, others did not respond to requests or simply directed the authors to their web sites.

Data collection for this research highlighted the difficulties that might be encountered by anyone wishing to understand the activities of RDAs. The ease of accessing documents electronically via RDA web sites varied greatly; most web sites were well designed to allow documents to be located relatively easily but on some sites the documents were hidden away and obscure. Some difficulties were experienced opening and downloading documents when 'glossy' reports with pictures have been converted to electronic (pdf) files. To assist transparency and accountability, RDAs need to ensure that all their publications are genuinely accessible to people rather than simply being 'available electronically via their web sites'.

Analysing the performance of RDAs relies on meaningful outturn data and accurate monitoring. It was possible to plot annual budget allocations and outturn figures for programmes and to review the policies and guidance that determined the roles and functions of the respective agencies. Statutory obligations are contained in the relevant Acts of Parliament and Guidance Notes and are further elaborated in the RDAs own policies & strategies.

All nine RDAs were scrutinised in some detail to reveal the variation in their priorities, strategies and delivery programmes. Primary research comprised discussions with key personnel in RDAs, Urban Regeneration Companies, SRB programmes and English Partnerships (including a questionnaire to RDA regeneration managers) to verify the preliminary findings and explore related issues.

### **1.2.1 Problems, limitations and parameters**

- The research looks at England only.
- Following the introduction of Resource Accounting & Budgeting (RAB) there have been a number of changes to the core funding tables which makes interpretation of Government spending much more difficult. There is an important issue here about the excessive complexity hindering understanding of departmental funding allocation.
- RAB data is at present only available from 1998/99.
- 2003/4 is the last year covered by the current spending review. The report has been revised to take account of the July 2002 Comprehensive Spending Review.
- Not all funding for RDAs is from DTLR/ODPM, there is additional funding from DTI & DfES, so total funding figures do not always tally. A key issue here is the lack of a cross cutting or integrated picture of total regeneration spending across Government.

- Uncertainty surrounds the future operation and accountability of some RDAs because of the potential for asymmetric devolution introduced by the publication of the recent Government White Paper on Regional Government (see Section 2.8).
- RDAs are accountable to the DTI but most of their funding comes from ODPM. This potentially ‘muddies the waters’ in terms of reporting relationships.
- The transfer of responsibility for housing, regeneration, planning and the regions to the Office of the Deputy Prime Minister (ODPM) does however offer up the potential for housing and regeneration to become ‘bigger fish in a much smaller pond’ now that the distraction of the transport brief resides with DoT.
- The research does not contemplate the contribution made to regeneration by some smaller programmes funded by the Home Office, DfES and DCMS.

Table 1 – Government Departmental Responsibilities

<b>Generic Theme</b>	<b>Social</b>	<b>Economic</b>	<b>Physical</b>	<b>Environment</b>
Responsibility	Regeneration	Competition & economic development	Housing & planning	Environmental sustainability
Government Department	ODPM	DTI	ODPM	DEFRA
Regional level	GOs	RDAs/LSCs/SBS	RDAs	Environment Agency
Funding regimes	NRF & NDC	Single pot	Single Pot	Single Pot
Partnerships	LSPs	Sub regional	URCs	Sub Regional

As Table 1 makes clear, the recent splitting of DTLR has resulted in responsibility for environment, local government and the regions and transport, being fragmented between three ministries. The need to actually achieve joined up government is now more crucial than ever. There is powerful argument for building on the recent Government re-organisation to unify responsibility for, and funding of, RDAs within one department.

### **1.3 Defining Physical Regeneration**

The term ‘physical regeneration’ is rather ill defined in the supplementary guidance to RDAs. While the March 1999 document sets out the Governments policy on physical regeneration it does not actually define what the activity involves.

A good starting point perhaps is S136 of the 1980 Local Government Planning and Land Act, which sets out the remit of Urban Development Corporations which was to:

- bring land and buildings back into use
- encourage the development of existing and new industry and commerce
- create an attractive environment
- ensure the housing and social facilities are available to encourage people to live and work in the area (1980)

In a similar vein the Leasehold Reform, Housing and Urban Development Act 1993 S136 defined the somewhat wider remit of the Urban Regeneration Agency (English Partnerships) in Part III Section 159(1) who were to fulfil their statutory obligations by:

- securing that land and buildings are brought into effective use
- developing, or encouraging the development of, existing and new industry and commerce
- creating an attractive and safe environment
- facilitating the provision of housing and providing, or facilitating the provision of, social and recreational facilities (1993)

This was to be achieved through expenditure set out in S164 (2) for:

- Acquisition of land
- Reclamation, improvement or refurbishment of land
- Development or redevelopment of land, including the conversion or demolition of existing buildings
- The equipment or fitting out of land
- The provision of means of access, services or other facilities for land environmental improvements (1993)

One question that arises is whether it is meaningful or helpful to distinguish between physical and social regeneration, given the recent emphasis on holistic regeneration.

*'Urban regeneration is a comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change'*

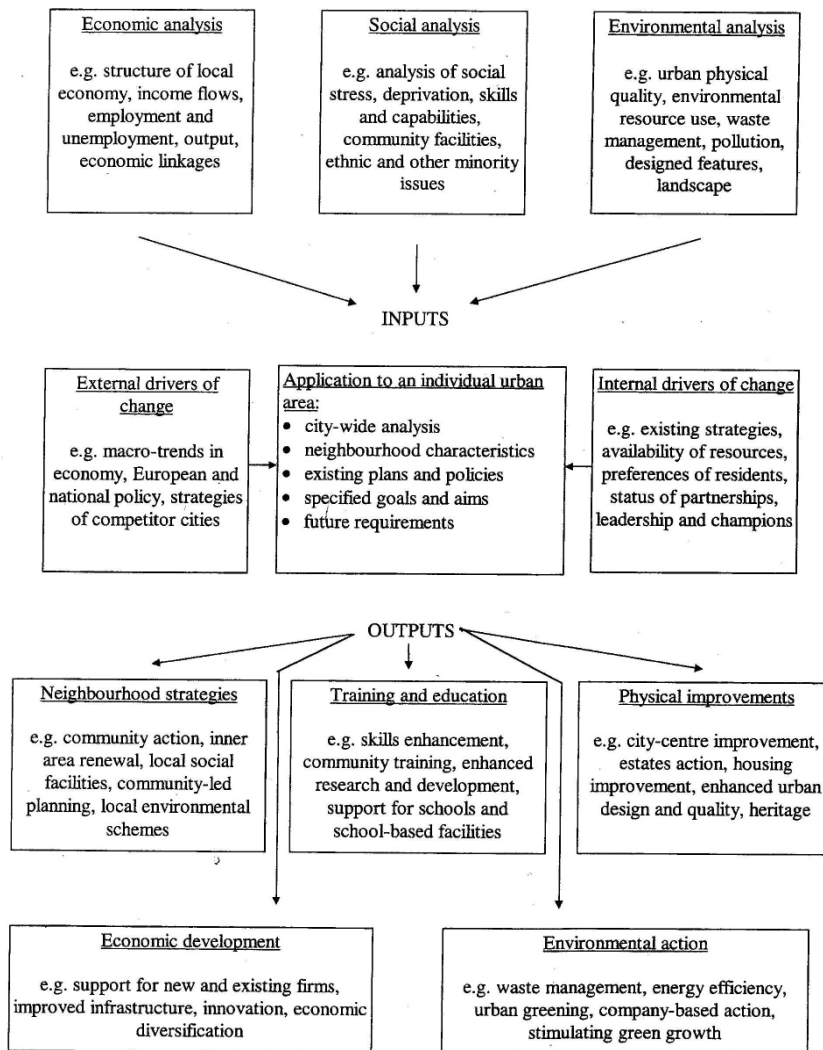
(Roberts and Sykes 2000)

From this perspective physical regeneration is an essential component of a co-ordinated urban regeneration approach, contributing as it does to the achievement of wider social, economic and environmental goals. Regeneration has been described as a three legged stool, the legs being physical, economic

and social, without any one of which the stool will fall over. However this neglects the environment, so regeneration may more accurately be described as a four legged chair, which will wobble if one of the legs is missing.

Building on the above definition, Roberts and Sykes provide an illustration of the interaction of the principles and processes involved in urban regeneration and attempt to capture the multiplicity of interrelated outputs (see below).

Figure 1 – The Urban Regeneration Process



(Roberts and Sykes 2000 p20)

The 'urban renaissance', as espoused by the Urban Task Force and encapsulated in the Urban White Paper, seeks to encourage people to move back into towns and cities by improving the quality of life in urban areas through the development of well designed mixed use schemes in sustainable locations

that are adequately served by public transport. 'Urban regeneration' in contrast is broader and more holistic in its scope, seeking to develop the capacity of local communities in deprived neighbourhoods, to contribute to the lasting improvement of their area. RDAs have a Tier 2 target to promote the 'urban renaissance' (see Section 2.1.2).

When considering the balance between different components of regeneration, two particular aspects of the role of RDAs need to be highlighted:

1. RDAs are not responsible for developing and coordinating neighbourhood strategies (see Section 4.1). This function resides with LSPs and Government Offices, and is segregated from the mainstream activities of RDAs. While 'drawing a line between real regeneration and soft community stuff is fatal to meaningful and successful holistic regeneration', (Attfield 2002) this report suggests that even community based regeneration, promoted outside of the RDAs, does rely on physical regeneration spending.
2. Recent moves by RDAs towards a more sophisticated understanding of indigenous business (focusing on clusters or hubs) clearly herald their emergence as important economic development agencies. There are dangers however that such a role will lead to the subsuming of 'physical improvement' within the aegis of 'economic development, training and education'. This runs the risk of marginalising projects that contribute towards the physical aspects of the 'urban renaissance' but which fail to deliver more narrowly defined business outputs.

#### **1.4 Government Spending on Housing and Regeneration**

Dedicated expenditure on regeneration has traditionally resided with DoE/DETR/DTLR, one of the main objectives of whom was to enhance economic development and social cohesion throughout England through effective regional action and integrated local regeneration programmes (DETR 2000a). In the Comprehensive Spending Review 2000 the Government promised to increase regeneration expenditure over each of the next three years. In real terms, however, the increase in expenditure only means that by 2001/02 we will have just overtaken the amount that the previous Government was spending in 1993/94 (Urban Task Force 1998).

Table 2 reveals that forecast expenditure on urban regeneration is to increase by 8½% over the next year to nearly £1.8bn. Consistent with the trend in Departmental budgets, there is a significant shift from revenue to capital expenditure, as confirmed by the 2002 Pre-Budget Report that reported a 9.6% p.a. increase in capital spending in real terms compared to 5.1% pa. Increase in revenue spending (HM Treasury 2002). This is likely to benefit physical regeneration schemes, which are typically capital intensive, rather than softer community based initiatives that are revenue funded.

Table 2 – Forecast Total Expenditure on Urban Regeneration in England

Period	Capital £m	% of total	Revenue £m	% of total	Total £m
2002/03	£889m	54%	£769m	46%	£1658m
2003/04	£1266m	70%	£532m	30%	£1798m

(HoC written question 10 June 2002)

The most recent DTLR Annual Report and Accounts are difficult to decipher due to the introduction of a new Resource Accounting and Budgeting (RAB) system, however it appears that combined spending on both regeneration and regional policy is forecast to increase from just over £1.5bn in 2000/01 to over £2.3bn by 2003/04. However this only represents a fairly insignificant 1/30<sup>th</sup> or 3.3% of total DTLR forecast expenditure for the next two years.

Table 3 further reveals that DETR/DTLR funding for regeneration, including New Deal for Communities, has grown year on year at a double figure rate and nearly 45% in three years, although it is still a fraction of the total local government and regional spending in England, albeit a growing one.

Table 3 – DETR/DTLR Regeneration Spending in Comparison with Local and Regional Government Spending

£bn	98/99	99/00	00/01	01/02
DETR/DTLR spending on regeneration (£bn)	£1.22	£1.352	£1.533	£1.765
Annual increase		10.8%	13.4%	15.1%
DETR/DTLR spending on Local Government and the regions (£bn)	£32.7	£34.25	£35.51	£36.98
As a percentage of total Local Government and regional spending	3.7%	3.9%	4.3%	4.8%

(Comprehensive Spending Review 2000)

As table 4 reveals, the CSR 2002 has provided for an increase in the Neighbourhood Renewal Fund to England's 88 most deprived local authority areas. This is in addition to the £2bn of New Deal for Communities funding over ten years.

Table 4 – Neighbourhood Based Spending by Region

Region	NRF £m 2003-4	NRF £m 2004-5	NRF £m 2005-6	NDC £m 1998-2008
North East	53.0	59.6	69.5	214.7
North West	108.2	121.7	142.0	327.9
Yorks & Humber	60.6	68.2	79.6	208.9
East Midlands	26.0	29.3	34.1	146.6
West Midlands	54.0	60.7	70.9	317.5
East	3.3	3.9	4.6	84.0
London	82.0	92.3	107.7	524.9
South East	4.6	5.1	6.0	95.9
South West	8.1	9.1	10.7	98.7
Total	400.0	450.0	525.0	2019.2

(Comprehensive Spending Review 2002)

As Table 5 illustrates, New Deal for Communities revenue spending is approximately twice capital spend and overall neighbourhood renewal revenue spending is approximately three times capital spend. This would suggest that the level of capital expenditure for the Neighbourhood Renewal Fund will be less than £1 in every £4, due to its emphasis on improving local service delivery and the plugging gaps in main line spending programmes which are predominantly revenue funded activities.

Table 5 – Neighbourhood Renewal Funding in England

	Capital £m	% of total	Revenue £m	% of Total	Total £m
NDC estimated spend 2002/3	£66m	35%	£120	65%	£186m
NDC estimated spend 2003/4	£93m	35%	£172m	65%	£269m
NDC estimate over 10 years	£753m	35%	£1399m	65%	£2152m
Neighbourhood renewal expenditure 2001/02	£165m	23%	£562m	77%	£727m

(Source: HoC written question 10 June 2002)

It is not unreasonable to assume that most capital expenditure will be on physical regeneration (predominantly investment in housing and infrastructure), therefore the capital funding in the above table gives an indication of the maximum investment in physical regeneration from neighbourhood renewal budgets. Over ten years NDC will contribute £<sup>3</sup>/<sub>4</sub>bn and when combined with NRF capital expenditure the total investment in physical regeneration from these two programmes is likely to be in excess of £1bn over ten years.

### **1.4.1 The Comprehensive Spending Review**

In the Comprehensive Spending Review announced on 16 July 2002, the Government committed itself to promote economic growth in every English region through improving the key drivers of productivity at the regional level (HM Treasury 2002). To this end, a joint PSA target has been set between the Treasury, DTI and ODPM, to work together to make sustainable improvements in the economic performance of all English regions, and over the long term, reduce the persistent gap in growth rates between the regions. Unfortunately the Government does not explain how it is possible for all the English regions to grow and for the gap between regions in the north and south of England to be closed. The only way the latter can be achieved is for Government to adopt policies to redirect economic activity away from the south of England, to the north and midlands; this would also have a desirable side effect of reducing the high demand for housing in the south and reduce the strain placed on its infrastructure.

RDAs will have a key role in delivering the economic improvements that the Government is seeking and their budgets are to increase by £375m over the next three years to £2bn by 2005/6, a real terms increase of 4.5% per annum (HM Treasury 2002). In return, the RDAs are to take greater responsibility for promoting tourism in their region, carrying out regional transport studies and taking greater involvement in planning and housing matters. The enhanced responsibility for housing rectifies the omission of this important area from the RDAs original statutory remit and subsequent strategies and action plans.

Tucked away in the Spending review is an apparent proposal to create a new actor (a regional housing agency?) in the housing field at the regional level, in order to further the Government's housing policy objectives (CURDS 2002). It wants to make regional housing markets more responsive to changing demand and hopes that by establishing strong regional housing bodies and bringing together existing funding streams into a single non-ring fenced budget, housing investment and planning decisions will be better integrated with transport and economic development (HM Treasury 2002).

The additional resources announced in the CSR 2002 are on top of the extra funding announced in the 2000 CSR that gave an extra £300m for RDAs, due to the withdrawal of gap funding, plus extra Regional Innovation Funding. The table below sets out Departmental funding of RDAs and reveals that the lion's share still comes from the ODPM. The DTI continues to be the lead sponsoring department for RDAs and its increased funding is intended to deliver regional productivity and growth and take forward the enterprise agenda (DTI 2002).

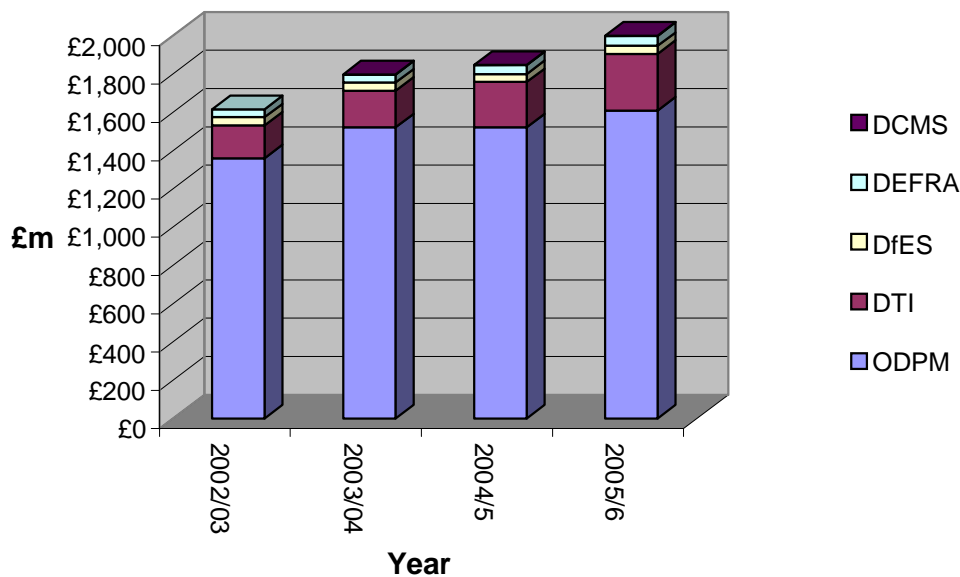


Table 6 – RDA Funding by Department (£m)

Year	ODPM	DTI	DfES	DEFRA	DCMS	Total £m
2002/03	£1369m	£172m	£42m	£42m	£0m	£1625m
2003/04	£1522m	£191m	£42m	£41m	£2m	£1798m
2004/5	£1552m	£236m	£42m	£46m	£2m	£1878m
2005/6	£1609m	£296m	£42m	£51m	£2m	£2000m

(Comprehensive Spending Review 2002)

Figure 2 – Departmental Funding of RDAs (£m)



(Source: HM Treasury 2002)

RDAs will also work more closely with the Small Business Service (SBS) and Business Link, to coordinate help for SMEs and improve access to training and skills initiatives, however their overriding purpose will remain the pursuit of economic development.

The amount of uncommitted money that RDAs will have freedom to spend how they wish, is estimated by the Treasury (2002) to reach £910m by 2005/6, although this will still be less than half the single programme budget (see Table 7). The Treasury is also switching £200m from capital to revenue spend to ensure that RDAs have the right mix of funding (HM Treasury 2002). This reverses the recent trend, identified in Section 1.4, of increases in capital expenditure, and infers that previously the RDAs' funding profile has not been appropriate for their evolving role. In contrast, the ODPM's capital expenditure is set to increase from 25% to 30% by 2003/4 (ODPM 2002).

Table 7 – RDAs Single Pot

	2003-4	2004-5	2005-6
Increase in single pot compared to 2002-3	£173m	£253m	£375m
Reduction in SRB commitment compared to 2002-3	£214m	£414m	£535m
Increase in effective RDAs single pot compared to 2002-3	£387m	£667m	£910m

(CURDS 2002; HM

Treasury 2002)

A new PSA target for the ODPM is to 'promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA targets for neighbourhood renewal and social inclusion' (ODPM 2002). The Government is therefore implicitly acknowledging that, to date, departments have been failing to effectively join up their activity in pursuit of the goal of improving economic performance of the English regions.

The 2002 CSR provides new investment for housing, with real terms average growth of 4.2% per annum, with much of the increase to be used to tackle housing supply (ODPM 2002). However, the relatively modest increase in funding is unlikely to be sufficient to tackle failing housing markets in the north of England nor the problems of under-supply in the south, and it is extremely doubtful whether regional housing bodies can influence housing markets to the degree that the Governments hopes.

It is perhaps somewhat contradictory that the prosperous south east, having experienced strong economic growth, is to receive extra funding to provide more housing when urban areas in the north of England are experiencing population loss and housing market failure. This again points to the need for a national 'regional' policy to redistribute economic activity more evenly to achieve a more sustainable solution to England's housing crisis.

The CSR commitment to promote prosperity in the English regions is underpinned by an enhanced PSA floor target for regional economic performance, whilst other floor targets have been strengthened and new ones introduced. The Government is also seeking to make progress in the rationalisation, through merger, of the confusing array of programmes to produce a smaller set of clearly defined funding streams.

In the wake of the CSR, John Prescott announced plans to build up to 200,000 new homes in the south east of England in an attempt to satisfy demand and accommodate key workers. The Government has also extended the PSA floor target on housing conditions to cover the private as well as the social housing sector. We await the Deputy Prime Minister's proposals for sustainable communities, due to be announced in January 2003, with interest.

#### **1.4.2 The Pre- Budget Statement 2002**

In his pre-budget statement delivered to the House of Commons on 27 November 2002, the Chancellor of the Exchequer confirmed his announcement at the Urban Summit in Birmingham of the intention to create 2000 Enterprise Areas in the most deprived areas of Britain. Subject to European state aid clearance, these areas will benefit from the abolition of stamp duty on all commercial property transfers and 25% Community Investment Tax Credits (HM Treasury 2002).

The Government also seem intent on giving local planning authorities powers to relax requirements for detailed planning permission in enterprise areas and are to consult on whether to allow local authorities to spend increases in business rates revenue on local priorities, including regeneration of urban areas. Such hypothecation measures will complement the proposals for Business Improvement Districts contained in the forthcoming Local Government Finance bill.

The Government regards RDAs as the '*strategic* leaders of economic development and regeneration in the regions' and intends to introduce two pilot schemes to give RDAs a wider role in driving forward economic development (HM Treasury 2002). The two schemes, to be introduced in April 2002, will initially last two years and seek to deliver a more effective match of skills demand and supply and allow a close alignment of regional skills funding with frameworks for regional employment and skills action. The Government is also contemplating extending the Private Finance Initiative to large-scale regeneration projects which, to date, have not made the transition to this procurement method.

The role, funding and performance of RDAs are set out in the next section.

## **2.0 Regional Development Agencies**

### **2.1 RDAs' Statutory Role and Funding**

RDAs were established under the Regional Development Agencies Act 1998. Each RDA has five statutory purposes, set out in Section 4, for its respective area:

1. To further the economic development and regeneration of the region
2. To promote business efficiency, investment and competitiveness
3. To promote employment
4. To enhance the development and application of skills relevant to employment
5. To contribute to the achievement of sustainable development in the UK where applicable (1998)

Regeneration is only one part of one statutory purpose. Moreover, purpose 1 does not make explicit the exact relationship between economic development and regeneration. It can be interpreted narrowly, with regeneration becoming a subset of economic development, to the exclusion of physical regeneration. Whilst RDAs are statutorily obliged to address these purposes, this could lead to a restrictive view taken as to the role of RDAs and limits the obligation of RDAs to address tasks covered by supplementary guidance. The role and remit of the RDAs is wider than the bodies they replaced, namely English Partnerships regional functions, the Rural Development Commission (RDC) and local economic development partnerships.

In the Urban White Paper the Government expressly states that it wants to see the activities of the RDAs focused on addressing two challenges. The first is to achieve sustainable economic and social renewal in declining areas to reclaim land, restore economic activity and improve services. The second is to provide for sustainable economic growth in areas that are expanding but may have problems such as land shortages. The RDAs need to tackle both issues (DETR 2000) but their statutory purposes dictate that the latter challenge will dominate RDA's agenda.

A commonly held view amongst commentators is that RDAs' powers are limited and highly circumscribed (Robson, Peck et al. 2000), that RDAs budgets are miniscule compared to the size of regional economies and that other bodies take most of the key decisions that influence economic development (Confederation of British Industry 2001). They have also observed that the RDAs remain the province of the familiar matrix of business and policy elites which have come to dominate sub-national economic development policy, and formal lines of accountability continue to converge on Whitehall and Westminster (Deas and Ward 1999).

### **2.1.1 Regional Economic Strategies**

The RDAs have a statutory duty to formulate regional strategy in relation to the above purposes which aim to improve economic performance and enhance regions' competitiveness, address market failures that prevent sustainable economic development, regeneration and business growth. Each agency's strategy should provide:

- A regional framework for economic development, skills and regeneration which will ensure better strategic focus for, and co-ordination of, activity in the region whether by the agency or by other regional, sub-regional or local organisations
- A framework for the delivery of national and European programmes which may also influence the development of Government Policy
- The basis for detailed action plans for the agency's own work, setting the wider aims and objectives for its annual corporate plan.

(Performance and Innovation Unit 2000)

The RDAs were given statutory guidance on the formulation of their regional strategies under Section 7 of the RDA Act 1998. Further supplementary guidance was issued in March 1999. It did not constitute statutory guidance but was for RDAs assistance and information, covering specifically regeneration, competitiveness, skills, rural policy issues, sustainable development, equal opportunities and working with the voluntary and community sector (DETR 1999b).

The supplementary guidance made clear that the Government wants RDAs to take an integrated approach to economic problems and consider the impact of their policies and proposals on the economy, social fabric of a region and on its environment. RDAs should satisfy themselves that their policies, programmes, outputs and outcomes are consistent with central government policy (DETR 2001a).

Regional Economic Strategies vary in the attention they pay to the contribution of physical regeneration to regional economic performance and there is a lack of recognition given to the role of residential development in securing social and environmental improvements. These omissions have been addressed to some degree in the RDAs' Business and Action Plans which are more explicit about the role of physical regeneration in securing regional targets.

### **2.1.2 RDA Performance**

In return for the greater funding and flexibility introduced by the Single Programme, RDAs have agreed, in consultation with regional partners, three levels of targets. These are Tier 1 Objectives, Tier 2 Regional Outcomes and Tier 3 Milestones (see Figure 4 below).

Figure 4 – RDA Targets and Milestones

Tier 1 Objectives	Tier 2 Regional Outcomes (by 2004/05 unless otherwise stated)	Tier 3 Milestones
	Note: These are national targets. Targets for each region will be set through the corporate planning process	Note: The numbers on these targets will differ regionally. These will be set through the corporate planning process.
<b>Applying throughout urban and rural areas</b>		<b>RDAs to produce a written commentary which describes how these milestones impact on their Tier 2 targets.</b>
<p>To promote economic development and regionally balanced growth</p> <p>To promote social cohesion and sustainable development through integrated local regeneration programmes</p> <p>To help those without a job into work by promoting employment and enhancing the development of skills relevant to employment</p> <p>Promote enterprise, innovation, increased productivity and competitiveness.</p>	<ol style="list-style-type: none"> <li>1. <b>Sustainable Economic Performance:</b> Provide the strategic framework to improve the sustainable economic performance of each region, measured by the trend in growth of GDP per capita, while also contributing to the broader quality of life in the region.</li> <li>2. <b>Regeneration:</b> Work with Local Strategic Partnerships (LSPs) and other stakeholders to tackle poverty and social exclusion through promoting economic development in the most deprived areas by reducing deprivation by 10% in those wards in the region that are currently in the bottom 20% of the Indices of Multiple Deprivation.</li> <li>3. <b>Urban:</b> In line with Urban White Paper objectives, and working with LSPs, contribute to the renaissance of towns and cities through the delivery of RDAs' Regional Strategies.</li> <li>4. <b>Rural:</b> In line with Rural White Paper objectives and RDAs' regional strategies, regenerate market towns in or close to priority rural areas, and achieve increases in employment, skills and new business formation levels in priority rural areas comparable with other priority areas.</li> <li>5. <b>Physical development:</b> Work with partners to ensure that: by 2008, 60% of new housing is provided on previously developed land and through conversion of existing buildings; by 2004, brownfield land is reclaimed at a rate of over 1100 hectares per annum (reclaiming 5% of current brownfield land by 2004 and 17% by 2010).</li> <li>6. <b>Employment:</b> Work with partners to increase ILO employment rate over the economic cycle.</li> <li>7. <b>Skills:</b> Work with LSCs, NTOs and other partners, to improve the levels of qualifications of the workforce in order to meet priorities as defined in Regional Frameworks for Employment and Skills and to help meet national learning targets.</li> <li>8. <b>Productivity:</b> Work with regional partners to enable an increase in productivity measured by Gross Value Added (GVA) per hour worked in the region.</li> <li>9. <b>Enterprise:</b> Work with Small Business Service and others to help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.</li> <li>10. <b>Investment:</b> Make the region an attractive place for investment to maintain the UK as the prime location in the EU for foreign direct investment, particularly by providing effective co-ordination of inward investment activities of regional and local partners.</li> <li>11. <b>Innovation:</b> Make the most of the UK's science, engineering and technology by increasing the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant increase in the number of innovating businesses, of whom a growing proportion use the science base amongst other sources of knowledge.</li> </ol>	<p><b>Core Milestones</b></p> <ol style="list-style-type: none"> <li>1. <b>Employment Opportunities:</b> Support the creation or safeguarding of x net jobs</li> <li>2. <b>Brownfield Land:</b> Remediate and/or recycle x hectares of brownfield land</li> <li>3. <b>Education and Skills:</b> Support the creation of learning opportunities for x individuals</li> <li>4. <b>Business Performance:</b> Support the creation and/or attraction of x new businesses.</li> </ol> <p><b>Strategic Added Value:</b> Mobilise the actions of key regional and sub-regional partners to support the achievement of regional priorities and deliver agreed regional strategies (still needs developing).</p> <p><b>Supplementary Milestones:</b> Each RDA will also agree supplementary milestones which will vary regionally.</p>

One of the four Tier 1 objectives encourages sustainable development through integrated local regeneration programmes. More significantly, of the Tier 2 Regional Outcomes, number 2 relates to urban regeneration, 3 to the 'urban renaissance' and 5 to physical regeneration or development. Most of the remaining eleven outcomes relate to business development, competitiveness, jobs creation and skills. Only one of the four milestones, brownfield land, is directly linked to physical regeneration activity.

This focus on economic development is reinforced by Treasury Public Service Agreements; for instance Target 17 seeks to improve the performance of all regions, measured by the trend in growth of each region's GDP per capita. This target is to be delivered through the implementation of the single programme budget for RDAs by April 2002 (HM Treasury 2000). It is therefore not surprising that RDAs' delivery plans have realigned their spending profiles towards economic development and away from social and community based activity. This adjustment has been consolidated by the transfer of the responsibility for RDAs, from DETR to DTI, with whom target 17 is shared.

*'The Government are worried that they have given too much power away and are trying to stem the tide. If they really believe in devolution, the Treasury has to give away some of their powers and trust the RDAs to spend their money as they wish'*

(Kelvin Macdonald ROOM, in Regeneration & Renewal 24 August 2001)

State of the Region and Activity Indicators are also addressed by RDAs (see below). Only one of the State of the Region indicators, 'percentage of new homes built on previously developed land', relates to physical regeneration. The remaining eight indicators are predominantly concerned with the economic development, skills and competitiveness agenda. Of the five Activity Indicators for which RDAs must report for their 'worst' 10% local authority districts, rural areas or assisted areas only one of them, 'net hectares of derelict land brought into use', relates to physical regeneration, the remaining four being concerned with economic development (Performance and Innovation Unit 2000).

Table 8 – RDA Indicators

<b>State of the Region Indicators</b>	<b>Activity Indicators</b>
GDP per head and GDP per head relative to the EU average	Number of jobs created
Proportion of the population with above average living conditions	Net Hectares of derelict land brought into use
GDP per worker per hour	Number of business start-ups and survival rates
Business formations and survival rates	Percentage of medium/ large organisations recognised as Investors in People
Percentage of 19 year olds with level 2 qualifications and percentage of adults with level 3 qualifications	Value of private finance attracted
Percentage employers with hard to fill vacancies	
Percentage employees undertaking work-related training in last 13 weeks	
ILO unemployment rate	
Percentage new homes built on previously developed land	

RDAs must also be mindful of the output targets that they inherited from legacy programmes, totalling in some instances 150 different indicators per region. The most significant outputs typically include: number of jobs created/safeguarded; vacant/derelict land reclaimed (ha); private finance attracted (£); number of housing units facilitated; and commercial/industrial floorspace created (000m<sup>2</sup>) (DETR 1999b). Outputs for individual RDAs are summarised in Section 3. Unsurprisingly given the multitude of overlapping and complementary targets and output indicators, RDAs have been lobbying Government to streamline their performance regimes.

The inherited commitments from the SRB and Rural Development Commission programmes tend to lay greater emphasis on community regeneration while the activities of English Partnerships had a greater focus on the regeneration of land and property. Supplementary guidance to RDAs makes it clear that the Government envisages that both approaches to regeneration will be continued by RDAs. The guidance notes that, in practice, the distinction is not absolutely clear cut, with many community regeneration schemes including physical development projects and vice-versa (DETR 1999b).

Introducing targets is necessary for public accountability but they inevitably distort priorities, ensuring that 'what gets measured gets done'. For example there is concern that existing RDA targets do not measure their commitment to social inclusion and regeneration (Urban Forum 2001). The reforms may have negative implications for community and voluntary groups as RDA budgets become more capital intensive, following the trend in departmental budgets identified earlier and less focused on regeneration measures to tackle social exclusion (Biles 2001). As one RDA make clear:

*'In anticipation of the single pot, we've realigned our business strategy. We've decided to move away from the softer, social inclusion-type projects to harder, economic priorities, such as investing in key clusters, strengthening public private partnerships, creating a stronger infrastructure and connecting people to economic opportunity'*  
(Yorkshire Forward, 2001)

The Better Regulation Taskforce (2002) acknowledged the large number of centrally imposed targets that govern the activities of RDAs, and was concerned that with so many targets, the RDAs would lose focus and move too far away from their core purpose of implementing their Regional Economic Strategies. It identified conflicting and inconsistent targets and also unrealistic ones where many of the variables affecting their achievement were beyond a RDAs control. It observed that the requirements of reporting to the centre are burdensome for RDAs and that Departments' bureaucracy has shifted from the RDA funding stream to the RDA targets and concluded that the DTI should set fewer, sharper, smarter targets for RDAs, focussing on targets that RDAs can genuinely influence and ensuring that they are aligned between delivery agencies (Better Regulation Taskforce 2002).



## **2.2 RDAs and physical regeneration**

Improvement of land and buildings, including housing, are a key part of regeneration. For ODPM physical regeneration should support all of the four broad objectives on which the Government bases its vision of sustainable development:

- Social progress which recognises the needs of everyone
- Effective protection of the environment
- Prudent use of natural resources
- High and sustainable levels of economic growth and employment

(DETR 1999b; DETR 2001a)

When the Urban White Paper was released in November 2000 it confirmed that the Government regarded RDAs as the lead agencies for the physical regeneration of urban areas (DETR 2000b). RDAs are thus of significance to the property and construction industry because they have considerable influence over future developments in the English regions, they have a role in developing and delivering land and property portfolios and contribute to a range of initiatives that have a land and property component (Roberts 2000).

The RDAs may acquire land for the purpose set out in Section 4 of the RDA Act 1998. RDAs should consider acting wherever possible as enabling bodies by helping the private sector in particular to regenerate land and buildings, by assembling, planning and servicing sites and providing the vision, energy and financial support to encourage others to proceed with projects. RDA's will wish to carry out direct development as a last resort having satisfied themselves that to do so would not displace or disadvantage the private sector. RDAs should sell assets created by direct development at the earliest opportunity (DETR 1999b). Since the demise of PIP (see Section 2.5) RDAs are now more likely to fall back on their last resort, and carry out direct development, which is, after all, the most cost effective way of providing buildings because it cuts out the developers profit (Smith 2000) although it does mean that the public sector is exposed to greater risk.

In terms of physical regeneration, RDAs are concerned with the pipeline of high quality buildings for industry and commerce, the provision of brownfield sites for development, the re-use of under-utilised buildings and land, civic renaissance and individual flagship projects. The English regions need to have a range of sites and buildings available to meet the demands of modern industry and commerce.

The RDAs can assemble and reclaim sites, put in infrastructure and landscaping and sell off attractive, manageable, serviced plots to the private sector under tight development agreements. Some commentators believe that it is far better for the public sector to do this than simply dole out grants and that the identification, prioritisation and delivery of key employment sites should be major elements of

the RES's. From scrutiny of RDAs' strategies and plans, it is apparent that this approach is far from uniform. Such physical regeneration activity should work alongside the spatial strategies expressed in Regional Planning Guidance (RPG) but in practice this is not always the case as the production of Regional Economic Strategies preceded RPG.

In order to make significant progress in regenerating depressed areas, RDAs are encouraged to adopt a proactive 'area based' approach (DETR 1999b) but the reality may be that unless a project supports the regional economic agenda then such area based initiatives may struggle to gain funding and support from RDAs.

The land and property budget (one of six funding streams inherited by RDAs) consisted of physical regeneration programmes, principally inherited from English Partnerships, aimed at tackling the need for land for industry and commerce, infrastructure, housing, leisure, recreation and green space, and help to attract inward investment (DETR 2001a). It provided the main source of Government funding for physical regeneration to reclaim, regenerate and decontaminate previously developed land and buildings and supported the Department's target on the reuse of brownfield land.

### **2.3 Single Regeneration Budget Challenge Fund**

When Labour came to power in 1997 they announced a refocusing of the SRB Challenge Fund, to concentrate resources on areas of greatest need, as measured by the Index of Local Deprivation. Round 5 consolidated the needs-led approach by concentrating 80% of new resources in the most deprived areas, including 50 comprehensive new schemes with at least one in each of the most deprived areas. The remaining 20% of funds tackle smaller pockets of deprivation outside the most deprived areas, including rural areas and coalfields (DETR 1999a; DETR 2001a).

It was announced in the 2000 Spending Review that there would be no further rounds of SRB and that budgeted funding would be rolled together into a single pot to be allocated by the RDAs (see single programme). Round 6 was therefore the last round, and comprised 189 successful bids of which 27 were major schemes in the most deprived local authority areas.

During the six rounds a total of 1028 programmes secured funding. The SRB forecast expenditure over the lifetime of the programmes is £5.87bn, around 22% of the total expenditure of £26bn. This total figure includes other public funding of £11.3bn and private sector investment in the region of £9bn (DETR 2001b).

Table 9 – SRB Forecast Lifetime Expenditure

Year	Funding (£bn)	% change
1998/99	£1.22	
1999/00	£1.352	13%
2000/01	£1.533	13%
2001/02	£1.765	15%
Total	£5.87	

(DETR 2001b)

For every £1 of SRB funding, an additional £3.60 of other funding is attracted, although only £1.60 of this comes from the private sector (giving a public:private gearing ratio of 2:1). This compares unfavourably with higher levels of private sector investment secured in the first three SRB rounds that generated public:private gearing ratios of 1:2.5. This may have been because projects funded by later rounds of the SRB were smaller and contained less physical spend and hence levered in less private money.

The recent National Evaluation of the SRB Programme (DETR 2001b) confirms the importance of linking physical with economic and social regeneration. This is particularly true of the interface between property development and people-related regeneration activity.

*'The key findings from the SRB research are that land and property based initiatives are particularly relevant because they enhance quality of life, external image, and visual appearance of an urban neighbourhood'*

(DETR 2001b)

As highlighted already, there is a danger that the progress made, through programmes like City Challenge and the SRB, in integrating activities to achieve holistic regeneration, will be destroyed by the polarisation of the economic growth and neighbourhood renewal agendas. Physical-led, mixed-use renewal projects in particular may fall between the two stools, to the detriment of urban areas across the country.

Land and property market interventions will remain central to the regeneration challenge, particularly in the older urban areas. This places onus on RDAs to integrate physical and people related regeneration activities, something that they will find difficult due to the separation of the two agendas.

#### **2.4 Rural Development Commission**

The RDC's resources were focused on 31 priority Rural Development Areas, providing funding under the integrated Rural Development Programme, Redundant Buildings Grant and Rural Challenge. The RDP is based on individual strategies developed by local partnerships in each Rural Development Area, and provides funding and support for economic and social projects and for the provision of workspace in partnership with other organizations. Redundant

building grants encourage the private sector to provide workspace by bringing into use buildings that are, or are likely to become redundant. Rural Challenge was effectively superceded when a rural strand was added to Round 5 of the SRB.

## **2.5 Gap Funding and the PIP problem**

On 22 December 1999 the Competition Directorate (DGIV) of the European Commission declared English Partnerships' Partnership Investment Programme (PIP) to be illegal on the basis that it contravened state aid rules (Article 92 (1) of the Treaty of Rome), since it offered an economic advantage to the developer. The crux of the argument centred on whether (property) development is a tradable activity, the degree to which developers are likely to trade across member state boundaries and whether the Partnership Investment Programme distorts that competition.

The Environment Committee concluded that:

*'PIP was not designed to give developers extraordinary profits or an appreciable advantage and failed to see how PIP distorts competition. Moreover, under PIP, land and property is never transferred at less than market value. The Commissions ruling therefore seems perverse.'* (House of Commons 2000)

Following the decision, gap funding could have continued in assisted areas, subject to aid intensity ceilings, but as the majority of projects would be affected by the decision DETR decided to close the whole programme from that date. Some projects for which applications had been received prior to the date were permitted to progress as 'PIP survivors' however effectively the decision removed a grant regime that had levered in £2.5bn of private sector investment from a public investment of £1.1bn (House of Commons 2000).

The House of Commons Transport, Local Government and the Regions Committee's twelfth report, (The need for a new European regeneration framework) concluded that the loss of PIP had been a disaster, that the new replacement schemes are inadequate and that two and a half years of urban regeneration activity and outputs will have been lost by the time the new housing scheme is approved. This will be compounded by an overall loss of momentum and most importantly, a loss of private sector interest and willingness to take part in regeneration (House of Commons 2002).

The RDAs, having been established for just over a year, were suddenly faced with the dilemma that approximately half their land and property budgets had been earmarked for gap funded schemes that were now in jeopardy. In addition, while RDAs could undertake direct development, it is clear that their operations will be significantly hampered by the ruling, particularly because their whole *modus operandi* is based on partnership with the private sector (House of Commons 2000)

It has taken two years to introduce a replacement regime which comprises a number of different schemes approved by the Commission. However the new schemes are predominantly restricted to projects within assisted areas and the amount of grant is limited to aid-intensity ceilings within priority areas. The level of the aid intensity ceiling also depends on whether the developer for speculative schemes, or the occupier for the bespoke schemes, are a small and medium sized enterprise as defined by the EC (Hood and Scarth 2001).

It has been estimated that up to 90% of projects approved under PIP would not qualify under the new programme because most PIP schemes received funding above aid limits and over half of all PIP schemes were outside Assisted Areas. As a result, the take up of the new schemes has been slow to say the least, and the RDAs have been criticised for being sluggish about implementing the PIP replacement regime (Willis 2002b). NWDA have indicated that since the introduction of the new gap funding regime, they have awarded fourteen grants which total £16.5m and ONE NorthEast have approved 24 grants worth £33m, but many of these are likely to be for 'PIP survivors' rather than genuinely new projects awarded grants under the PIP replacement schemes.

Of the approved schemes, direct development, speculative, bespoke and residential schemes are the most relevant to physical regeneration. The decision has put new emphasis on the need for the major activities of the land and property programme to be pursued through direct development in partnership with the private sector rather than by directly funding the private sector. This requires RDAs to purchase regeneration sites and pump prime their reclamation, decontamination, and servicing. In recognition of the up-front costs of such activity, the CSR 2000 awarded DETR and the RDAs significant additional funds for direct development (DETR 2001a).

One positive aspect of the whole affair is that the European Competition Directorate, led by Mario Monti, has come under the spotlight and the EC has announced a top-down review of state aid rules as well as deciding to mount its own investigation into the need for a European-wide regeneration framework. The UK has been at the forefront of efforts to promote a dedicated regeneration framework but progress to date has been slow and success limited, partly due to German resistance to the proposals.

## **2.6 The Single Programme**

The 2000 Spending Review concluded that if RDAs had extra budgetary flexibility and freedom, they could deliver much more with their resources. The Urban White Paper (DETR 2000) announced that RDAs would receive a combined single programme budget from DETR, DfES and DTI starting on April 2002. In return for this, the RDAs are required to deliver the Tier 2 Regional Outcomes as measured by the various milestones (see figure 4) (DETR 2001a).

Although the DTI has taken over lead responsibility for RDAs from DTLR, the majority of their funding still comes from the Office of the Deputy Prime Minister (ODPM). The DTI has taken the opportunity to sharpen its focus and streamline its business support schemes worth £1bn. Under the reforms the RDAs have been given authority over all Regional Selective Assistance (RSA) grants up to £10m, capital investment to industry and commerce to promote economic development in Assisted Areas, which will allow RDAs greater flexibility to support indigenous companies and international business investment.

There is evidence that budgets are becoming more capital intensive and that there may be a loss of the capacity building and community involvement elements present in SRB. This was evident in the earlier analysis of Departmental funding of housing and regeneration. More flexibility may be required over the split between capital and revenue funding in RDA budgets and there is a need for greater transparency in decision making now that allocations are made on a non-competitive basis (Urban Forum 2001).

Community groups fear that the single pot will be driven by the wider economic agenda of the RDAs, such as developing major flagship job-generating schemes at the expense of smaller locally developed projects. However some community groups will be able to wield some influence over RDAs through membership of LSPs and will be able to access the NRF which is controlled by Government Offices (Biles 2002).

As well as being freed from the obligations to respond to SRB bids, RDAs will have greater flexibility to respond rapidly to opportunities and challenges facing their region although they will need to avoid replacing top-down central Government allocation of funding with top down regional allocation.

*'The advent of the single pot paves the way for a new era of English regional autonomy. It will be bottom up rather than top down, funding-led rather than funding-fed, holistic rather than a silo approach, will allocate money to partnerships rather than by bidding and will run over three years rather than one.'*  
(Biles 2002)

However, frustration has been expressed by RDAs at the increasingly 'hands-on' approach by Central Government over single programme money with Central Government interference being reported as a serious problem in some regions. In some instances new initiatives that RDAs had been intending to support from their single programmes have had to be supported using established funding streams (Loney 2001).

## 2.7 RDA funding and performance by region

The RDAs have been rolling out inherited programmes and only recently have they been able to shape their own programmes and invest resources accordingly. As RDAs mature they can develop a distinctiveness that reflects cultural and regional variations.

Regional Economic Strategies actually differ little and most only narrowly escape the charge that they adopt the lowest common denominator approach. The big issues of regional inequalities have largely been ignored (Robson, Peck et al. 2000). The usual suspects, job creation, developing new businesses and supporting key clusters, feature in every corporate plan (Biles 2002).

*'The RDAs' strategies are long on vision and short on delivery, for the most part they are little more than 'motherhood and apple pie' statements, short on site specific recommendations; notably short on anything to do with property; they signally fail to make any difficult choices; warm words but of little substance. They need to take a more hands on role in bringing forward property development, get stuck into the development process, compulsory purchase will need to be used as a matter of routine.'* (Smith 2000).

The Business or Action Plans subsequently produced by the RDAs are far more revealing and detailed, with most identifying the sectors and geographical areas where their activities are to be concentrated. This was partly in response to DETR guidance that encouraged RDAs to develop a coherent set of sub-regional strategies for some parts of their region (DETR 1999b).

The figure below illustrates the share of funds each RDA receives.

Figure 4 – RDA Funding by Region 2000/01

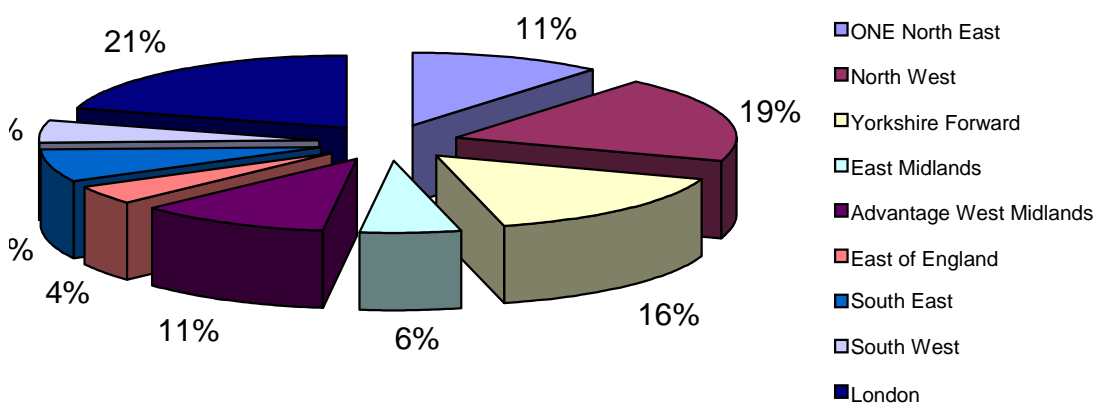


Table 10 and Figure 5 show that more than two thirds of all funding in 1999/2000 was through the SRB programme and a further 15% through the land and property programme. All other programmes combined account for less than 18% of the total budget. Prior to the single programme the majority of RDAs financial resources were going in to land and property programmes or regeneration programmes which had a significant physical regeneration element.

Previously RDAs were able to carry any under-spend from one year to the next but this year the DTI has reduced the year-end flexibility so that RDAs can only carry over a maximum of 10% or £20m of their budget, whichever is the greater. This has led to concerns being expressed when DTI performance figures revealed that RDAs need to double their rate of expenditure if they are to meet their targets this financial year. Eight of the nine RDAs have spent an average of only 30% of annual funding in the first two quarters of 2002/3 and some will have as much as 50% of their budget to spend in the final quarter (Willis 2002d).

The spending difficulties being experienced by RDAs has contributed to a reported combined regeneration underspend of £620m, and may be due in part to the shift of from physical programmes to business and economic development activities. The need to ensure that money is spent by the end of the financial year could lead to funding being re-allocated or spent in a sub-optimal way and RDAs may struggle to meet their performance targets as a result.

Tables 11 and 12 show RDA funding between 1998 and 2003/4, staffing levels and relative RDA funding and GDP per capita. It should be noted that not all RDA funding comes from the DETR; there is additional money from DTI and DfES. Gross figures have been used where available and outturn data rather than forecast. There may therefore be some discrepancies between the data presented and previously published figures. From Table 10 it is apparent that most RDAs have received year on year increases in funding, with total funding available to all RDAs increasing by over 60% in four years from around £1bn in 2000/01 to over £1.6bn planned by 2003/4.

The RDA receiving the largest relative increase is East of England, which has seen its funding more than double. London has the lowest level of increase although nominally it still accounts for nearly a fifth of all RDA funding. The most generously funded RDA per capita is ONE NorthEast, which receives more than twice the average per capita funding. SEEDA receives the lowest per capita funding. Generally, the lower a regions' GDP per capita the higher their RDA funding. ONE NorthEast also has the highest number of staff, excluding London, although the South West has the lowest funding per employee.



Figure 5 – RDA Funding by Programme 1999/2000

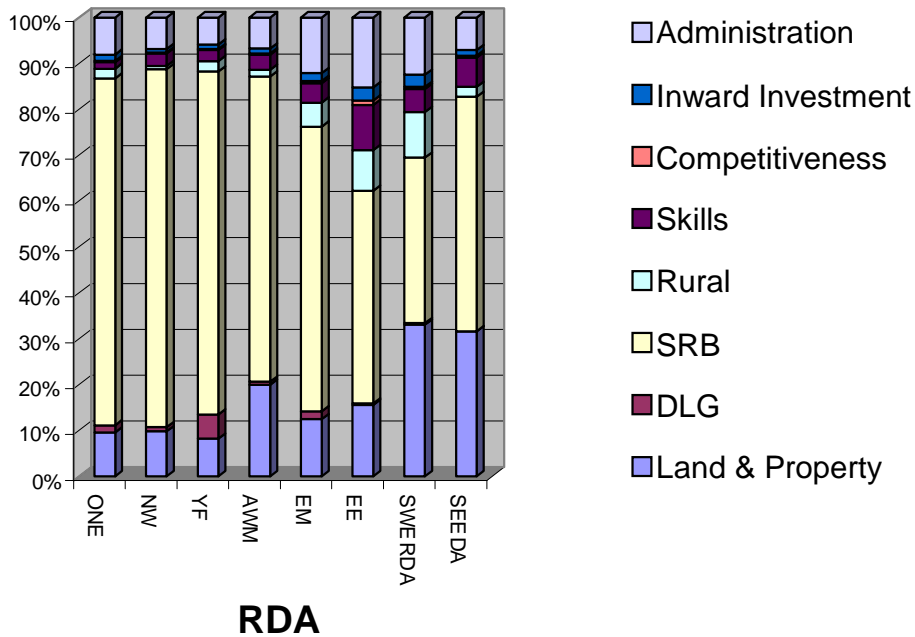


Table 10 - RDA Funding by Programme and Region £m 1999/00 (PIU 2000)

Programme (£m)	ONE	NW	AWM	YF	EM	EE	SEEDA	SWE RDA	Total	As a %
Land & Property	£11.6	£17.3	£22.8	£11.2	£7.4	£4.9	£23.2	£19.9	£118.3	15.3%
DLG	£1.9	£1.6	£0.8	£7.2	£1	£0.1	£0.03	£0.2	£12.83	1.7%
SRB	£91.6	£137.5	£76	£102.2	£36.8	£14.6	£37.5	£21.7	£517.9	67.0%
Rural	£2.6	£1.2	£1.7	£3.1	£3.1	£2.8	£1.6	£6	£22.1	2.9%
Skills	£1.7	£4.8	£3.7	£3.3	£2.5	£3.1	£4.7	£3	£26.8	3.5%
Competitive-ness	£0.3	£0.3	£0.3	£0.3	£0.3	£0.3	£0.3	£0.3	£2.4	0.3%
Inward Investment	£1.7	£1.4	£1.3	£1.4	£1	£0.9	£0.9	£1.6	£10.2	1.3%
Administration	£9.8	£12.1	£7.7	£8	£7.2	£4.8	£5.2	£7.5	£62.3	8.0%
Total	£121.2	£176.2	£114.3	£136.7	£59.3	£31.5	£73.43	£60.2	£772.83	100%
As a % of total	15.7%	22.8%	14.8%	17.7%	7.7%	4.1%	9.5%	7.8%	100.1%	

Table 11 – RDA Budgets £m (source DETR Annual Report 2001; DTI 2001; Treasury 2001)

RDA	1999/00	2000/01	%change	2001/02	%change	2002/03	%change	2003/04	%change
ONE North East	£121.2	£150.1	23.8%	£173.2	15.4%	£183.4	5.9%	£200.7	9.4%
North West	£176.1	£245.0	39.1%	£276.6	12.9%	£276.6	0.0%	£297.0	7.4%
Yorkshire Forward	£136.6	£180.7	32.3%	£221.9	22.8%	£221.9	0.0%	£229.6	3.5%
East Midlands	£59.2	£81.5	37.7%	£91.2	11.9%	£95.2	4.4%	£104.2	9.5%
Advantage West Midl	£114.1	£124.9	9.5%	£158.7	27.1%	£185.7	17.0%	£203.2	9.4%
East of England	£31.4	£42.1	34.1%	£60.2	43.0%	£71.6	18.9%	£78.3	9.4%
South East	£73.4	£79.5	8.3%	£102.2	28.6%	£102.2	0.0%	£102.2	0.0%
South West	£60.1	£76.9	28.0%	£94.4	22.8%	£94.2	-0.2%	£95.2	1.1%
London		£293.4		£298.1	1.6%	£298.1	0.0%	£303.9	1.9%
Total	£772.1	£1,274.1	65.0%	£1,476.5	15.9%	£1,528.9	3.5%	£1,614.3	5.7%

Table 12 - Analysis of RDA funding

RDA	Funding (£m)	Staff in post	Staff in post	Staff % change	Funding 2002/3	GDP (£m)	Census	GDP	Funding 2002/3
	2002/03	FTE 2000	FTE 2002	2000-2002	Per FTE staff (£m)	1999	Population	Per capita (£)	Per capita (£)
ONE North East	£183.4	232	262	13%	£0.70	£25,875	2,515,479	£10,286	£ 72.9
North West	£276.6	198	230	16%	£1.20	£77,564	6,729,800	£11,525	£ 41.1
Yorkshire Forward	£221.9	171	250	46%	£0.89	£57,556	4,964,838	£11,592	£ 44.7
East Midlands	£95.2	115	170	48%	£0.56	£63,262	4,172,179	£15,178	£ 22.8
Advantage W M	£185.7	139	197	42%	£0.94	£64,806	5,267,337	£12,303	£ 35.3
East of England	£71.6	77	142	84%	£0.49	£63,851	5,388,154	£11,648	£ 13.3
South East	£102.2	98	170	73%	£0.60	£121,956	8,000,550	£15,243	£ 12.8
South West	£94.2	162	180	11%	£0.52	£58,735	4,928,458	£11,918	£ 19.1
London	£298.1	N/a	175	N/a	£1.70	£116,400	7,172,036	£16,230	£41.6
Total/Average	£1,528.9	1192	1776	34%	£0.86	£650,004	49,138,831	£13,228	£ 31.1

## **2.8 The Regional Devolution Agenda**

Consideration of the future of RDA's must have regard to the regional devolution agenda as embodied in the White Paper 'Your Region, Your Choice' (Cabinet Office & DTLR 2002). The Government proposes to give extra resources and greater freedom and flexibility to the RDAs, strengthen Government Offices, allow the creation of Regional Assemblies, taking powers from Whitehall and Government quangos to bring decision making under closer democratic control.

The White Paper recognises regional disparities, often described as the 'north-south divide' but more accurately termed the 'south east/rest of England divide'. Annex B of the report makes for sobering reading when it reveals the extent of the economic and health inequalities between the English Regions.

The second annual edition of the UK Competitiveness Survey (Robert Huggins Associates 2001) reported that no in-roads have been made into tackling the 'worsening' north-south divide. It revealed that the competitiveness gap between the big three growth regions (London, South East and Eastern) and bottom performing regions (North East, Wales and Yorkshire and Humberside) increased by over 30% since 1997. The growing disparity is blamed on regional policy, a lack of coordination between Government Departments and the failure to overhaul the Barnett Formula.

The Regional Assemblies will have responsibility for issues such as investment in regeneration, improving housing and public transport and will contribute to decision making on a range of issues such as economic development, and spatial planning. The White Paper proposes that RDAs will become directly accountable to the relevant elected assembly but will retain their present day-to-day operational independence. Assemblies will be given a single block grant, with freedom to spend money as they judge best, from which funding for RDAs will be provided, but with strings attached, as the Government will expect each assembly to help achieve between six and ten targets in their region.

Assemblies will have the lead role in regeneration and spatial development, housing, transport, skills and employment, public health strategy and culture. They will control RDAs, appoint regional directors of health, allocate funding for social housing, and influence LSCs and highway and rail authorities (West 2002a). However due to a turf war in Whitehall the set of powers and responsibilities that assemblies could have are uneven. There are vested interests which want to keep power at the centre, for example skills and training, with its £7.3 bn annual budget will still reside with LSCs who have a duty only to consult with the assembly (Marrs 2002).

The bulk of the assemblies' budget would come from incorporating current funding streams for existing regional bodies into a block grant from the Government. They would also have the power to increase council tax to fund economic development projects, although this may be counter productive as the

most needy regions would have to raise the most money and would make themselves less competitive in the process. Central Government could impose a cap on this additional spending but may be reluctant to intervene (Marrs 2002).

Regional assemblies will have a much bigger say in how regeneration policies are framed and enacted but there are still several ways in which central government will continue to exercise control. As a result of the White Paper, the asymmetrical devolution we have witnessed in Scotland, Wales and London, will be repeated in the English Regions (West 2002b).

### 2.8.1 An elected regional assembly for the North East

The Government acknowledges that support for an elected regional assembly has been strongest in the North East of England and that this region is likely to be the first to have a vote on the issue. The White Paper presents an assessment of the likely funding requirements for such a body and identifies the resources that it would have control over.

Table 13 – Expenditure 2001/02 on Programmes in which a North East elected regional assembly would take responsibility (Cabinet Office & DTLR 2002)

National Programmes	Expenditure (£m)
RDA	£173m
Housing Capital – LA	£48m
Housing Capital – RSL	£23m
Rail Passenger Partnership	£1m
Rural Partnership	£2m
Arts, Sport and Tourism	£12m
English Heritage	£1m
Total National Programmes	£260m
European Programmes	£89m
Total	£349m

The Government estimates that a regional assembly in the North East would have ‘*an important say*’ on more than £500m of public expenditure (based on figures for 2001/02). Coupled with its block grant (see above table) this would mean that an assembly in the North East would take, or be involved in, decisions on around £0.9 billion of public expenditure, or 12.5% of annual public expenditure in the region excluding social security payments (Cabinet Office & DTLR 2002). The additional cost of running a regional assembly has been estimated to be around £25m and will be paid for by the regional population through a precept on their council tax. Assemblies will not be able to vary non-domestic rates or affect business taxes but they will be able to borrow money to fund capital expenditure.

### **3.0 RDA Profiles**

#### **3.1 ONE NorthEast – ‘Building on past success’**

The North East has a long tradition of physical intervention through public sector agencies, such as English (Industrial) Estates and English Partnerships, which ONE is seeking to build on. Two objectives of the Regional Economic Strategy relate to physical regeneration, these are: ‘meeting 21<sup>st</sup> century transport, communications and property needs’ and ‘accelerating the renaissance of the North East’ (ONE NorthEast 1999). ONE’s RES has been criticised as being too broad and failing to establish priorities for the region and it has much to do and has promised to do much but has largely failed to establish a strong profile in the region (Robinson 2002).

ONE has taken the bold decision to devolve three quarters of its single Programme spending to four sub-regional partnerships (SRPs) in Tyne and Wear, South East Northumberland, Tees Valley and East Durham (ONE NorthEast 2001b). Total spend over the next three years will be £185m and over a six year period ONE will devolve around £500m to the SRPs (The Journal 2002). This innovative step is variously interpreted as a commitment to subsidiarity or an abdication of responsibility for taking tough decisions (Robinson 2002). The sub regional partnerships are expected to spend around one fifth of their regional funding this year on physical regeneration.

The Regional Action Plan 2001-2004 states that ONE will develop quality sites for potential inward investment, create 300,000 square metres of high quality business accommodation property provision to provide property for all businesses that want to expand or move into the region (ONE NorthEast 2001b). These sites, rather than being inner urban brownfield, may be peripheral greenfield employment sites, which contribute little to the urban renaissance but do generate outputs to meet economic growth driven targets.

ONE describe their spatial and thematic priorities for physical regeneration for 2000-05 as reinforcing the Tees corridor, investing in cities and towns in County Durham and Northumberland, regenerating the coalfields, promoting the role of the rural service centre and acquiring, reclaiming and servicing a portfolio of sites for indigenous and mobile investment (ONE NorthEast 1999). ONE have 29 direct development projects in progress and a further 14 in the pipeline and estimate that around one quarter of their total expenditure this year is on physical regeneration activity.

#### **3.2 North West – ‘Investing more in the economic agenda’**

Within future resources and budgetary freedom NWDA plan to invest more in the economic agenda. A higher proportion of their funds will be applied to economic development, particularly target sectors and clusters. As a result, the proportion of resources allocated to regeneration will reduce from 91% (00/01) to 84% (01/02) towards a target of 74% (2004).

There was lower than expected expenditure on land and property in 2001/02 due to long lead in times and this has created headroom of £40m to divert to economic development priorities. However NWDA does acknowledge that more needs to be done to move land and resources into strategic sites and derelict land reclamation and commits itself to use compulsory purchase orders (CPOs) where needed to assemble sites (North West Development Agency 2001b).

To this end NWDA have promoted eight Compulsory Purchase Orders (three in Manchester and five on Merseyside) some of which are the biggest by any RDA. The CPOs for North Manchester Business Park and Kingsway Business Park in Rochdale cover 36 hectares and 170 hectares respectively, the former having recently been confirmed by the Trade and Industry Secretary.

NWDA plan to commit an increasing proportion of their single pot expenditure to physical regeneration (reaching £89.2m or 53% by 2004-5) and have eleven direct developments approved and in progress with a further 89 in the pipeline.

NWDA places a great deal of emphasis on URCs and LSPs to deliver the urban renaissance but their plans do not reveal how they are to do this and there is no ring fenced allocation of money to these local delivery agencies. However in the current year they are aiming to spend £53m on capital projects aimed at the urban renaissance, many of which are targeted through the URCs and LSPs.

Their cluster strategy focuses predominantly on the controversial genetics and bio-technology industries but it is not apparent what physical development will be required to support the creation of these clusters.

### **3.3 Yorkshire Forward – ‘Cluster development centre stage’**

Yorkshire Forward (YF) want to play a strategic and influencing role and have not drawn lines on a map indicating where the money will be allocated and have no area based regeneration priorities. The agency plans to invest in key clusters and build stronger business and public sector networks that can deliver and connect people to jobs (Biles 2002). It plans to ‘supervise’ the creation of 45,000 jobs, provide 60,000 learning opportunities for young people and build 3000 new businesses.

Yorkshire Forward’s approach to regional development concentrates on the concept of clustering in which funds are channeled into business sectors in specific areas. YF has two overriding priorities, the first is to invest in these clusters; the second is to invest in the renaissance of towns, cities and villages. The five business sectors that it wants to nurture are bioscience, digital industries, food and drink, chemicals and advanced engineering (Smith 2002).

The Annual Report (Yorkshire Forward 2001a) reveals a declining land and property budget. The Corporate Plan 2001-04 provides an honest assessment of

the difficulties that RDAs have been faced with over the last couple of years. They are moving away from the (urban regeneration) priorities shaped by EP and have created £18m headroom in their land and property budget to facilitate this. The demise of PIP has blunted progress on regeneration work in city centres but the greatest impact has been on the encouragement of new-build employment space where the market is weak. New funds were made available too late and direct development has been unable to plug the gap (Yorkshire Forward 2001c).

Of non-PIP funding, two thirds of resources were spent on land reclamation. YF also run a coalfield programme which, in partnership with EP, was responsible for reclaiming 248ha of land, with 232ha still in progress. Despite YFs plan (Yorkshire Forward 2001b) explicitly acknowledging the contribution of physical regeneration to their strategies there is little indication of how physical regeneration will contribute to their planned activity. YF no longer own and manage a portfolio of properties and indicated recently that none of their funding is allocated on a competitive basis and that they do not operate reactive grant programmes (e.g. gap funding). Yorkshire Forward seems to have moved further away from physical regeneration activity than any other RDA.

#### **3.4 East Midlands – ‘Investing in sustainable communities’**

The Business Plan 2001/02 highlights the role of property in regeneration through the adequate supply of land for employment and the bringing forward of sites in areas of deficiency but there is no commitment to brownfield reclamation to deliver this. EEDA explicitly recognises the national policy shift from large capital projects to more revenue based activity, such as capacity building of local people and has created headroom in the direct development element of the land and property budget and the rural budget, to divert to the sustainable communities agenda (East Midlands Development Agency 2001b).

A strategic theme in EEDAs delivery plan is to secure sites for major inward investment through direct development and reclamation and to ensure the supply of sites for smaller scale investment but there is little reference to physical targets and outputs. Thematic action plans are targeted at the urban areas of Derby, Northampton, Leicester, Lincoln and Nottingham, while peripheral development sites are located in the North Nottinghamshire coalfield. EEDA are one of the few RDAs that explicitly state that they are looking to URCs to deliver physical regeneration and have committed an initial £1m to cover start-up costs of the first two established in Corby and Leicester (East Midlands Development Agency 2000).

#### **3.5 Advantage West Midlands – ‘Creating the conditions for growth’**

AWM intend to channel 70% of its funds for 2002/03 across six regeneration zones, three high tech corridors and a number of business clusters (Herefordshire, Shropshire and Worcestershire; east Birmingham; north Solihull, north Black Country and south Staffordshire; north Staffordshire, Coventry and Nuneaton; west Birmingham and south Black Country). Funds will be made

available to the regeneration zone partnerships boards to develop business plans and kick-start specific capital projects. The six zones cover half the region's unemployed and incorporate most SRB activity and partnerships (Biles 2002).

The Annual Report 2000/01 is clearer than any other RDA in setting out the elements that make up the Land and Property programme as a whole. These comprise a land reclamation programme, direct development, community investment fund, derelict land grant and PIP. It reports that difficulties were encountered in bringing forward schemes following the European Commission ruling on gap funding (Advantage West Midlands 2001b). The land and property and coalfield budgets both increased from 2000 to 2001 but the land reclamation programme declined

The emphasis of activity appears to be moving away from regeneration and towards investment in transport infrastructure, as AWM seek to roll out a ten year, £8bn programme to fund new roads, light rapid transit systems and upgrade part of the west coast mainline. None of the headline indicators are physical but pillar 3 of AWMs strategy, to which 40% of their funding for 2001/02 is committed, has a land reclamation target of 5% by 2004.

The Agenda for Action 2001 contains specific reference to the role of sites and premises in facilitating economic development, tackling dereliction and recycling underused assets. It aims to promote mixed-use development, reclaim derelict and vacant land and ensure the supply of quality sites and premises (Advantage West Midlands 2001a). However it is not clear whether reclaimed land will provide the supply of strategic sites or whether some of them will be greenfield.

### **3.6 East of England- 'Creating headroom to address strategic priorities'**

As revealed in section 2.7, East of England has received the greatest relative increase in funding of any RDA. The Business Plan 2001/02 reveals that the maximum allowable transfer of 20% of the Land & Property budget is to be diverted to address 'strategic priorities'. This is symptomatic of the behaviour of many RDAs as they neared the introduction of the single programme.

However it also goes on to reveal a priority to promote a direct development programme of 13 projects linked to the strategic priority to reclaim 30ha of brownfield land per annum. Reference is made to EPs Priority Sites and to the role of CABE in promoting good design (EEDA 2001b).

### **3.7 South East England – 'Investing in infrastructure'**

Up to 70% of its resources for 2002/3 will go to regeneration priority areas, namely coastal towns, but the major theme of investment is in physical infrastructure, with an extra £300m for key priority transport schemes. The other main thrust of SEEDAs strategy is investing in the uniquely titled enterprise hubs (a.k.a. clusters). Their aim is to prioritise and deliver investment tailored to local



needs and encompassing the full range of their economic development remit (SEEDA 2001b).

Five pilot areas have been identified covering Southampton, the Isle of Wight, Thames Gateway Kent, north east Kent and Coastal East Sussex. An area investment framework (AIF) has been established for the five pilots through existing SRB partnerships. Each partnership will clarify local priorities and identify the best delivery vehicles to manage projects. In some parts of the region emphasis may be placed on community schemes while in other parts it will be town centre management.

The 2001/02 Business Plan identifies a Land & Property budget of £22m, about a fifth of total spend. SEEDAs' documents make little explicit reference to the role and contribution of physical regeneration to their plans other than to identify output targets of floorspace, land reclaimed, housing units on brownfield and private investment. The mixed-use flagship project of Chatham Maritime was originally conceived by English Estates and ultimately delivered by English Partnerships; the outputs from which are gratefully claimed by SEEDA.

SEEDA astutely recognise that high level PSA targets are not within the gift of RDAs alone and they will have to rely on other partners and agencies to help them meet targets, for example the recycling 75ha of brownfield land for new uses each year, with SEEDA responsible for developing 40ha.

It is also one of the few RDAs to recognise sustainability in its true environmental sense rather than the narrower economic interpretation adopted by most other RDAs (SEEDA 2001a).

### **3.8 South West England – 'Meeting the needs of business'**

SWERDA's documents shed little light on the role of property in their plans other than vague comments about improving infrastructure and ensuring an adequate land supply for future economic development. Their RES recognises the state of the region indicator of new homes built on brownfield land but acknowledges that there is less brownfield land in the South West than in other English regions (SWERDA 2000).

SWERDA identified 244 possible employment sites in a survey of land that could become available for redevelopment during the next 10 years, to meet the needs of business in the region and inward investors. Only ten of the sites are more than 20 hectares in size (SWERDA 2001). Land reclamation forecast figures presented in the annual report 2000/01 seem spurious when compared to the total area of land reclaimed but most other physical output targets have been exceeded.

### **3.9 London – ‘Re-aligning resources to match new objectives’**

LDA described itself as a delivery agent for urban renewal but its strategy does not make clear how the urban renewal will be delivered or by whom. Key sites must seemingly contain a regal prefix, comprising as they do of Royal Arsenal, Royal Docks, Royal Victoria Square, the Royals business park and Kings Cross. Strategic locations are the more humble Wembley, Barking and Dagenham, upper and Lower Lee Valley, City fringe and south central

LDA have under spent their Land and Property and SRB budgets due to slippage in delivery of capital expenditure plans (London Development Agency 2001a). Their resources are planned to stand still but they predict increasing funding to be available for new programmes. Given that the money must come from somewhere, it would be reasonable to suppose that resources will be reallocated from physical regeneration activity towards economic and social programmes.

*‘The existing inherited programme is characterised by investment in physical regeneration which reflected the emphasis of our predecessor EP, typified by large capital intensive projects. Investment in physical infrastructure is being more actively managed as a planned first phase to linking social and economic programmes.’*  
(London Development Agency 2001b)

Property specific elements of their strategy include the target, which comprises the reuse of brownfield, land for new housing to contribute to the Government’s target of 60% new housing on brownfield by 2008. A modest brownfield land reclamation target of 30ha per annum has been set, to contribute to the national reclamation target of 1100ha per annum and 5% by 2005. Indicators of performance include changes in land values and contribution of end uses to SME development.

LDA are the only RDA that has explicitly acknowledged the need to take account of deadweight, displacement, substitution and leakage in calculating additionality. It is recommended that the other RDAs follow their lead to ensure that output figures are consistent and meaningful, by taking account of such processes and avoiding double counting/claiming of outputs (HM Treasury 1995).

### 3.10 Profile of RDAs

Table 14 summarises the priority RDAs give to physical regeneration, and land and property development, in their strategies and action plans. On the basis of detailed scrutiny of RDA documents, several issues can be identified:

- To date RDAs have been rolling out (legacy) programmes, dominated by SRB and land and property budgets. As these commitments diminish RDAs will have increasing freedom to shape their own agenda and invest resources to meet agreed targets.
- It is apparent that some RDAs have been transferring resources from land and property budgets ahead of the single programme, to fund other activities that contribute to their aims and objectives.
- RDAs are committed to ensure that by 2008, 60% of new housing is provided on previously developed land and through conversion of existing buildings because it is a Tier 2 Outcome. The area of brownfield land that they intend to remediate and recycle is a milestone that varies widely by region, mainly due to the supply of brownfield land.
- RDAs are developing sub-regional strategies and funding sub-regional partnerships to pursue their ambitions. However these partnerships are no substitute for more accessible local partnerships that can deliver regeneration on the ground.
- Some RDAs intend to carry out direct development but most make no reference to their direct development ambitions. Indeed some RDAs make little reference to the contribution that property can make in achieving their economic development targets let alone physical regeneration.
- RDAs are reallocating resources from ring-fenced land and property budgets, promoting property-led regeneration, towards physical activity that contributes to economic growth and improving competitiveness. Single use, road connected, business developments linked to job creation are far more attractive prospects for both RDAs and developers, than the more complex development opportunities that exist in deprived inner urban communities.
- Many RDAs place great emphasis on clusters (hubs) to deliver economic outputs. Whilst there are some well-known examples of organic cluster development, there is scepticism about whether clusters can be successfully created and RDAs are vague about how physical development can support their cluster strategies.

- Mixed-use development is also mentioned as an aspiration by many RDA documents but there is little detail to reveal how and where such development is to be encouraged nor what funding is going to be made available to overcome the barriers that confront such schemes. RDAs will need to take a proactive role in encouraging mixed-use development rather than expressing it as desirable outcome with little commitment to make it happen.
- The RDA business and action plans make little reference to the securing of European money to contribute to their activities. There is concern that matching funding is not always in place to secure European money that has been allocated to the English regions and that millions of pounds may be lost to the country if it is not successfully drawn down.
- Some RDAs acknowledge the role of URCs and to a lesser extent LSPs in delivering the urban renaissance, but few identify the resources that they intend to commit to these local delivery bodies, let alone revealing how such partnerships are going to generate the desired outcomes when they have few resources, no powers and lack staff experienced in delivering physical regeneration projects on the ground.

Table 14 – Profile of RDAs and the priority given to property in their Strategies and Plans

RDA	SRB Budget (£m) 2001/02	Land & Property Budget (£m) 2001/02	Coalfield programme (£m) 2001/02	Headroom created/underspend (£m) 2002/03	Explicit recognition of role of property	Commitment to direct development (DD)	60% brownfield housing target	Land reclaimed /serviced (hectares) 2000/01	Outputs 2000/01: NHFS(sq); Houses (DH) built/improved	Property priority: High; Med; Low
<b>ONE</b>	£84.3m	£25.6m	£11m	nil	Create 300,000 sqm NHFS	Undertaking DD	Yes by 2008	275ha	185,000sqm 3904 DH	Medium
<b>NWDA</b>	£126.9m	£20.6m	£0.7m	£8.8m	Key sites to support business	Intends to do more DD	60% by 2003 65% by 2006	600ha	626,000sqm 18,660 DH	High
<b>YF</b>	£143.0m	£43.7m	£14m	£18m	To support cluster growth	Develop property to fill market gaps	Yes	470ha	98,000 sqm DH not known	Low
<b>EMDA</b>	£35.2m	£17.5m	£4.5m	£8m	Land for employment	No commitment	No reference	825ha	185,000 sqm 2600 DH	Low
<b>AWM</b>	£71.6m	£21.2m	£1.25m	£5m	Provide sites of right size & quality in right place	Assemble strategic sites only	No explicit reference	329ha	306,000 sqm 266 DH	Medium
<b>EEDA</b>	£18.2m	£4.8m	No	Transfer full 20% from L&P budget	Priority to brownfield development	Priority to DD; 13 projects	No explicit reference	59ha	26100 sqm DH not known	Medium
<b>SEEDA</b>	£48.3m	£9.4m	£5.8m	No breakdown of funding	Physical infrastructure	No reference	Yes 60% by 2002	200ha	104,000 sqm 200 DH	Low
<b>SWERDA</b>	£21.0	£52.3m	No	Not apparent	Ensure land supply	Vague	Acknowledged only	145ha	101,000 sqm 2855 DH	Low
<b>LDA</b>	£212.1m	£47.1	No	More available for new projects	Meet affordable housing needs	Yes	Yes by 2008	24.3ha	sqm not known DH not known	Low

(Advantage West Midlands 2001b; East Midlands Development Agency 2001a; EEDA 2001a; London Development Agency 2001a; North West Development Agency 2001a; ONE NorthEast 2001a; SEEDA 2001a; SWERDA 2001; Yorkshire Forward 2001a)

#### **4.0 Other Programmes and Agencies**

Research by the Audit Commission (2002) identified that the plethora of area based regeneration programmes is undermining attempt to deliver neighbourhood renewal by bending mainstream funding (Audit Commission 2002; Willis 2002a). There are problems in joining-up the Government Offices and RDA approaches plus uncertainty about the role and influence of LSPs as intermediary between social programmes under auspices of Government Offices and RDA activities. For example, how will the single programme spend be joined up with neighbourhood renewal activity?

If regional governance is to become effective central government needs to clarify the relationship between RDAs and Government regional offices and accelerate the timetable for statutory elected chambers. The devolutionary intent of creating RDAs appears more token than real (Robson, Peck et al. 2000)

#### **4.1 Central Government and Agencies**

##### **4.1.1 Government Offices**

In taking forward their work, RDAs are expected to liaise closely with Government Offices, which provide the focus for an on-going dialogue with Government (DETR 2001a). There are nine Government Offices, one for each English Region. They were created 1994, by the merger of the regional offices of, what were then, Departments of the Environment, Trade and Industry, Transport and Employment. Following departmental re-organisations, Government Offices are now administered by the following departments:

- Environment, Food and Rural Affairs (DEFRA)
- Trade and Industry (DTI)
- Transport (DoT)
- Education and Skills (DfES)
- Office of the Deputy Prime Minister (ODPM)

A particular issue to emerge from our research is the polarisation of responsibility for the social exclusion (neighbourhood renewal) agenda, and the competitiveness (economic growth) agenda to the dropping of the urban regeneration agenda, which falls between the two stools. The Government Offices retain responsibility for fostering social inclusion and for the delivery of neighbourhood level regeneration through New Deal for Communities and the Neighbourhood Renewal Fund. RDAs, while overseeing the implementation of SRB schemes by local partnerships, have become more focused on economic development. The RDAs' were uncomfortable having to oversee SRB projects, many of which involve softer social regeneration, which risked taking them too far from their 'core' physical/economic priorities.

The PIU report (2000) echoed similar concerns about the relative role of RDAs and Government Offices, the lack of clarity over the ultimate role of RDAs and

criteria for determining whether they should be given additional responsibilities. There was confusion regarding the areas that RDAs may ultimately take responsibility for, namely European Structural Funds, TEC's and Business Links. It recommended that GO's should work more closely with RDAs and that they should establish well publicised concordats, but that RDAs should take the lead in coordination across the region. They concluded that main factor which should determine whether to allocate functions to RDAs should be the closeness of links to the production of a strategy for the region and the delivery of programmes for which they are responsible. In other words, RDAs and chambers' function should be concentrated around those activities where prioritisation and planning is needed at the regional level (Performance and Innovation Unit 2000).

The PIU recommended that increased flexibility of spending should be linked directly to RDAs core roles of producing regional strategies and the delivery of programmes and hence avoid duplication of spending decisions with GO's. It also recommended that a review should be undertaken on the administration of the European Structural Funds and the linkages with UK programmes such as SRB, NDC and others. This review should look at the scope for using the same performance indicators and data and whether using RES's as a guide for both UK and EU spending will be sufficient to coordinate the strategic purpose of the respective programmes (Performance and Innovation Unit 2000).

Anecdotal evidence suggests that some civil servants in Regional Offices were 'scared of losing control over community regeneration' and had reinforced their monitoring and evaluation roles over programmes in order to provide continuing justification for their work in the face of external threats.

#### **4.1.2 English Partnerships**

The new re-branded EP claims that it is the national catalyst for property-led regeneration and development; a key agency for delivering the urban renaissance and helping the Government to meet its target for accommodating household growth on brownfield land. Its remit is to identify and prioritise strategic brownfield land and facilitate its development, act as Government's expert adviser on brownfield regeneration and manage a national portfolio of strategic sites and demonstration projects (English Partnerships 2001).

EP was responsible for running PIP on behalf of the RDAs. Its other principal activities were managing the national coalfields portfolio, developing the Greenwich Peninsula, managing the dome legacy competition, continuing the programme of millennium communities, progressing URCs, delivering a land stabilisation programme and generating additional resources for regeneration through PPP initiatives such as Priority Sites, Network Space and the English Cities Fund. It has had an annual budget of over £250m to fund its activities.

Table 15 – English Partnerships Forecast Expenditure

Year	Expenditure (£m)
2001/02	£260.2m
2002/03	£288.8m
2003/04	£267.1m

(English Partnerships 2001)

Following the early five yearly review of its functions, by the DTLR Urban Policy Unit and KPMG, English Partnerships will become a key agent in delivering plans to tackle housing shortages, being set the task of assembling brownfield sites for residential development. The recommendation that EP forges closer working links with other quangos such as the Housing Corporation and RDAs, constitutes something of an admission that it has not been as effective at partnership working as its name would suggest.

John Prescott announced an initial list of strategic sites on which EP should concentrate its efforts and has instructed it to use its new role to search out and deliver more land for housing and development. EP will have the new housing gap funding scheme at its disposal under which developers may be able to claim a grant equivalent to up to 60% of their total development costs. EPs proposed new role should make, in due course, a significant contribution towards the Government's target for new housing on brownfield land and will compensate for the RDA's increasing focus on economic development.

EP will to continue to control its flagship programmes, which include National Coalfields, English Cities Fund, Priority Sites, Strategic Sites, Millennium Communities and Greenwich Peninsula, funding and support for URC's, National Land Use Database EP will continue to champion the 'urban renaissance' and promote mixed use development, in the absence of genuine RDA commitment on the ground (Willis 2002c).

EP's new chair, Margaret Ford, sees its future role as being very different from its old one, as it sharpens its focus on regeneration and, in particular, brownfield development and seeks to become the organisation that will lead the urban renaissance through its role as key public sector enabler of sustainable urban neighbourhoods. It will retain and develop a national portfolio that has three core elements: sites of strategic significance: brownfield sites which will be redeveloped in their own right or combined with other projects to add scale or value; and demonstration projects which point to new ways of working (EP 2002).

Its key tasks in this area are site assembly for regeneration and sustainable development, gap funding, delivery of best practice, disposal of unused public brownfield land and affordable housing delivery (Brown 2002). It appears that the government has designed the new EP to compensate for the underperformance of RDAs in these key areas; it is critical that a clear operational demarcation between EP and the RDAs is established.



EP could have satisfied the need for a national counterweight to balance the potentially divisive competition between regions, adopting a more specialised role and relinquishing their powers and land holdings. It appears that this will not now be the case, however it will still need to coordinate its activities with the work of the Neighbourhood Renewal Unit if things are to be effectively joined up (Kennedy 2002).

#### **4.1.3 Housing Action Trusts (HATS)**

HATS were created under the 1988 Housing Act, as part of the Conservative Government's approach to regenerate run-down council housing. They were given a dual role of regenerating social housing and pushing forward stock transfer. In this sense HATS were a regeneration agency and an estate agent for public housing. While they had limited success in the latter role, mainly because of tenant opposition, they have proved to be successful regeneration agencies. HATS were able to enhance crude 1980's style regeneration by introducing a more contemporary holistic approach, linking improved housing stock with wider social and economic regeneration (DTLR 2001)

The six HATS were generously funded; by 2004 they will have spent £1.1bn. Recent parliamentary evidence suggests that the remaining HATS have allocated £1.1m per annum to the community and voluntary sectors, indicative of the relatively small proportion of HAT expenditure allocated to non-housing investment.

#### **4.1.4 The Small Business Service and Learning and Skills Councils**

The SBS is a national executive agency responsible for promoting the interests of small business that has a team of staff in each region who are co-located with the RDA. The Regional Government White Paper proposes that regional assemblies and RDAs will be consulted by the SBS in the preparation of their three year strategy and annual business plan to ensure that the services organised by the SBS meet the needs of all English Regions (Cabinet Office & DTLR 2002).

Learning and Skills Councils operate through 47 sub-regional offices and are responsible for funding and planning education and training for over 16 year olds in England. LSC's will be under a statutory duty to consult assemblies and to have regard to regional strategies, as well as having two assembly members appointed to the board of each local LSC.

#### **4.1.5 Lottery Funding**

Whilst lottery funded projects are not exclusively regeneration schemes, many of the biggest capital projects have a major contribution to make towards the regeneration of an urban area. It is perhaps the arts, heritage, millennium and sports projects that have contributed the most and the scale of expenditure over the last five years has been significant. The top twenty lottery funded millennium and art projects alone account for over £300m of capital expenditure. As well as these, there are numerous smaller schemes that cumulatively will make a worthwhile contribution to the regeneration of urban areas in England.

#### **4.2 Nationally Funded Programmes**

The RCU's report on Area Based Initiatives (Regional Coordination Unit 2002) made a series of recommendations to simplify neighbourhood renewal funding by merging some programmes and mainstreaming others. However the changes have yet to be implemented and the existing regime is presented below.

##### **4.2.1 New Deal for Communities (NDC)**

NDC was drawn up by the Social Exclusion Unit (SEU), as part of the Government's strategy to reduce social exclusion. Seventeen community based partnerships were identified in the pathfinder round in 1998, followed by a further 22 partnerships under a second round of the programme. Over £1.9bn has been committed to the 39 partnerships to be spent delivering their 10 year strategies focusing on the four key areas of unemployment, crime, educational underachievement and poor health (Neighbourhood Renewal Unit 2001).

Initiatives should concentrate on three themes:

- Improving neighbourhood management, so that local services meet the needs and expectations of residents and local businesses
- Supporting communities, so that they can get involved in and take greater control of the issues that directly affect them; and
- Bringing together evidence about what works through a skills and knowledge programme.

(DETR 2001a)

The national evaluation of NDC scoping phase (2002) reported that most delivery plans, submitted by NDC partnerships, contain strategies for improving housing and the physical environment and plan for the physical redevelopment of their housing stock, with targets that concentrated primarily on physical outputs. Few partnerships had drawn up a coherent overall plan for housing and the physical environment (Centre for Regional Economic and Social Research 2002).

Across the 39 NDC partnerships, £80m was spent out of a forecasted budget of £129m for 2001/02, an under spend of almost £50m. According to the Government, who set aside £240m for the scheme's first three years, they have a ten year plan and this does not spell a crisis although it will be necessary to

ensure carry-over into the 2002/03 budget allocation (Minter 2002). Spending on projects may have been slowed down because of the complicated appraisal system, which is tougher than initially thought, and because of the inclusive approach to involving residents in all aspects of decision making. Partnerships whose plans contain only a small physical component may also find it harder to spend money than those where physical regeneration permits larger spend.

The national evaluation identified limitations in the housing and physical environment domain of most plans submitted by NDC partnerships, perhaps due to the fact that the physical component of regeneration was almost completely ignored by the SEU's strategy. Despite this however, when the breakdown of spending for a sample of 18 of the 39 NDC partnerships is analysed, it is apparent that a significant proportion of their budgets, over 50% in a few cases, is being dedicated to this domain. This funding in many cases is being matched or exceeded by complementary, predominantly public, funding. It is estimated that the aggregate spend on housing and physical environment via NDC partnerships over a ten year period is likely to be around £3/4bn.

#### **4.2.2 Neighbourhood Renewal Fund (NRF)**

Made available under S88B(5) of the Local Government Finance Act 1988 as substituted by paragraph 18 of Schedule 10 to the Local Government Finance Act 1992, the NRF provides £1.875bn over five years to enable 88 local authorities in England to improve mainstream services in their most deprived wards. The fund is allocated per head of population in wards in the most deprived 10% in the country with a minimum allocation £200,000 (DETR 2001c) and in many ways is similar to the old urban programme.

The money can be spent in any way that will tackle deprivation and is not ring fenced. One of the few conditions attached to it is that the recipient must be part of, and working with, an LSP and must have agreed a Local Neighbourhood Renewal Strategy (LNRS). Targets include increased employment, improved economic performance, reduced crime, better educational attainment, improved health and better housing (DETR 2001c).

#### **4.2.3 National Coalfields Programme**

The coalfields portfolio comprises 56 sites in former coalfield areas transferred into the ownership of EP in 1997 with further sites being added in 1999 and 2000. The coalfield element of the physical regeneration programme is a joint venture between the coalfields RDAs and EP, which will be operated as a single programme with all receipts recycled within the designated coalfield areas. The overall management of the coalfield portfolio resides with EP and a service level agreement between the coalfield RDAs and EP sets out the respective responsibilities and associated financial arrangements in respect of progressing the programme (DETR 1999b).

The coalfields programme is an integrated site-led reclamation and regeneration strategy, delivered by EP in partnership with seven coalfield RDAs. Over ten years it aims to facilitate large scale development on up to 81 sites in England (English Partnerships 2001). The Network Space programme is delivering new managed workspace for small businesses in English coalfield area by way of a joint venture between EP and the Langtree Group. The Coalfield Regeneration Trust was granted an initial £50m to distribute over a three-year period (1999-2002) and has been awarded a further £45m over the next three years (2002-2005).

#### **4.2.4 Low Demand Pathfinder Scheme**

Under the Comprehensive Spending Review 2002, the housing sector as a whole is set to receive an extra £1.4bn, on top of the original 2003/4 allocation, over the next three years (2003-2006). The extra resources are to address two areas of concern: acute housing shortages in London and the South East and low demand in parts of the North and Midlands. The proposals go a long way to providing solutions to the chronic shortage of good affordable homes, especially in the south east, although questions remain over the speed at which new dwellings can be delivered (Poore 2002). RDAs are not prioritising or promoting residential development activity on any meaningful scale and it will be left to the revamped English Partnerships to act as the catalyst to make residential development happen on the ground.

Tucked away in the Comprehensive Spending Review 2002, was a commitment to spend £500m over the next three years to tackle nine areas in the north of England that are suffering from low demand. The scope of the Low Demand Pathfinder Scheme is wider than just residential property, recognising that failing residential areas must be made attractive places to live if they are to be successfully repopulated.

The money will be spent on low cost loans for upgrading individual properties, discounting land values to developers, gap funding and building community facilities. The nine pathfinders will initially receive £2.6m pump priming in April 2003 to establish project teams, conduct research and draw up robust strategic plans (Knutt 2002). It will target entire districts, in recognition of the fact that the housing market does not observe administrative boundaries, aiming to give them a fresh identity.

## **4.3 Local Delivery Bodies**

### **4.3.1 Urban Regeneration Companies**

URCs were first proposed by the Urban Task Force (1999) to work with a range of private and public partners to redevelop and bring investment to the worst areas in our towns and cities. Three pilot URCS were established in Liverpool (Vision), (New) East Manchester and Sheffield (One), whose performance convinced the Government to introduce new companies through a rolling programme. URCs have been, or are due to be, set up in Leicester, Corby, Hull, Sunderland, Tees Valley, Swindon, Bradford and Cambourne, Pool and Redruth.

URCs are the only policy tool that is dedicated almost exclusively to the delivery of physical regeneration, but they risk being emasculated as they have no funding parent and have no powers or resources of their own. They are a partnership between a local authority, RDA and EP who deploy their not inconsiderable planning and CPO powers, land and property assets and financial resources to support the URC's physical regeneration strategy, to which they subscribe.

The first URCs were given only modest resources to establish themselves; the newer ones appear to have been given more money to hit the ground running. They should make a major contribution to the delivery of physical regeneration on the ground, but they very reliant not only on attracting funding from both the public and private sectors, but also the receiving cooperation of local stakeholders.

URCs are potentially a means of keeping the RDA's 'eye on the physical regeneration ball' through a programmed long-term commitment to physical regeneration. However, from scrutiny of RDA annual report and accounts there was little explicit commitment of funding for URCs and if they are to fulfill this role then RDAs will have to commit more resources to them. The Chancellor's pre-budget report contains a suggestion of a new tax incentive to encourage donations toward the running cost of URCs, but this is 'small beer' compared to the significant funds that will have to flow from their key partners (EP and the RDAs). They will also need to get their hands on land if they are to deliver their ambitious plans, and the threat of a compulsory purchase order by the local authority or RDA may be critical if flagship projects are to make progress.

### **4.3.2 Local Strategic Partnerships**

As part of the Government's modernisation agenda in local government LSPs are charged with creating strategic plans (community plans and neighbourhood renewal strategies) and insuring that a range of partner organisations effectively deliver public services. To receive neighbourhood renewal funding for 2002/3 local authorities must show that they are part of a fully accredited LSP. They are crucial in bringing together organisations and integrating policy and activity.

There are concerns however that LSPs have been overburdened and lack the capacity to fulfill their wide brief. A recent DTLR (2002) report on the co-ordination of area based initiatives highlights some problems associated with the embryonic LSPs. In many instances they have evolved from existing economic development partnerships and have struggled to integrate their new responsibilities for neighbourhood renewal, coordination of area based initiatives and setting public service targets. LSPs are struggling to bring together the different levels of spatial intervention, between RDA activities at the regional level such as regional transport, economic development and planning strategies and the more localised focus on community based regeneration by neighbourhood partnerships.

#### **4.4 Fiscal incentives and Enterprise Zones**

The 2001 Budget, as updated by the 2002 Pre-Budget Report, contained a number of fiscal and tax incentives to promote physical regeneration, worth up to £1bn over five years.

These comprise:

- Exemption from stamp duty on all property transactions in the most disadvantaged areas
- Accelerated tax credits of up to 150% for the cost of cleaning up contaminated land
- VAT reduction from 17½% to 5% for converting houses into flats
- 5% VAT on the cost of renovating homes empty for more than three years
- zero VAT for the sale of renovated houses that have been empty for more than ten years
- 100% capital allowances to property owners for the costs of converting redundant space over shops into flats for letting.

(HM Treasury 2001)

An unhelpful differential still exists between the 17½% rate of VAT on the costs of converting or adapting existing housing and the zero rated costs of new build. However, these measures should improve development viability in areas suffering from weak market conditions and some marginal developments may now become viable (RICS 2001).

There have been delays in introducing the above measures, mainly as a result of difficulties over identifying the areas to receive stamp duty exemption and problems in achieving state aid clearance from Europe. The exemption from stamp duty will make very little difference in residential markets in deprived areas where capital values for most houses will be less than the stamp duty threshold of £60,000. The exemption is drawn at ward level and thus includes some city centres where it will be significant for both commercial and mixed-use developments as well as for residential properties in London and the South East (RICS 2001). The Treasury has been persuaded to regard purchases of five or more separate dwelling houses when purchased in one block as one transaction

for the purposes of stamp duty exemption, which may encourage private investors and developers to invest in renovating residential property in deprived areas.

The generous tax relief available on the costs of remediating contaminated land is not available to the polluter and therefore may actually stifle reclamation where contaminated land is still owned by the same party and need do no more than make the site safe. The most useful fiscal incentive may be the capital allowances for living over the shop schemes (LOTS), which will encourage private investment by offering what is effectively a public subsidy of up to 40% of the costs of conversion (Greenhalgh 2001).

Enterprise Zones, introduced under the Local Government, Planning and Land Act 1980, offer 100% tax allowances to investors and a rates holiday to occupiers for up to ten years, together with a raft of other measures designed to speed up and simplify the development process. EZs were particularly successful at encouraging the construction of commercial and industrial floorspace and attracting private sector investment to areas that investors would otherwise overlook (DoE 1995).

EZs have previously been criticised by the National Audit Office and Public Accounts Committee for distorting local property markets by concentrating development on the zones at the expense of other locations. They also promote relocations and boundary hopping, generate deadweight and are expensive in terms of job creation. In some EZ locations, properties have been developed that have never been occupied because they are the wrong space in the wrong place. The EZs in North Nottinghamshire, South Yorkshire, East Durham and Tyneside, created to respond to coalfield and shipyard closures, are due to expire in 2006, and we are unlikely to see any more designated in the future.

The Government has never provided a full breakdown of the overall cost of EZs to the public sector and it is notoriously difficult to accurately estimate the cost to the Exchequer of the capital allowances and rates revenue foregone. This is because each EZ investor will have their own individual tax status and the sum they invest is a matter for them and the Inland Revenue. In effect there is a public subsidy of up to 40p in every pound invested in buildings, plant and equipment in EZs and over their lifetime the EZs have cost the public billions of pounds.

With the new raft of fiscal measures just being introduced, it would be helpful if the Exchequer could provide reliable figures on the cost of each measure to the tax payer and the outputs generated by the favourable tax treatment.

## 5.0 Key Findings

- In the course of this research it has become increasingly apparent that there are considerable barriers preventing the establishment of an accurate quantification of expenditure on regeneration and a clear portrait of the breakdown between the different components. This partly relates to the inconsistent way in which different agencies and departments provide information and also reflects the multi faceted nature of regeneration activity itself. There is clearly scope for a consolidated depiction of annual Government regeneration expenditure and for a more coherent presentation of how much is spent by which programmes to generate what outcomes over a particular timescale.
- We estimate that just under £1bn was spent by the Government directly on physical regeneration in England in 2001/02, more than half of which was channeled through the RDAs. This compares with total DETR regeneration expenditure (including New Deal for Communities) for 2001/02 of £1.77bn. With projected increases in capital spending and neighbourhood renewal funding, it is predicted that the amount of funding going in to physical regeneration over the next few years will increase year on year.
- Total annual expenditure on physical regeneration in England will actually be more than £1bn, due to the contribution of fiscal incentives, such as those announced in the 2001 Budget (up to £1bn over five year). There are also a number of indirect sources of funding for physical regeneration such as the National Lottery (a share of £10bn), the Housing Corporation and smaller rural, coalfield and heritage programmes.
- The marked shift in departmental and RDA budgets from revenue to capital expenditure that has been identified by this research is likely to be to the benefit of physical regeneration schemes, rather than softer community based initiatives. This has been redressed somewhat by the 2002 Comprehensive Spending Review;
- While there are still significant resources available for physical regeneration they are increasingly polarised between neighbourhood housing rehabilitation and RDAs' business development and competitiveness agenda. There is a danger that the holistic regeneration activity promoted by City Challenge and SRB programmes (inner urban mixed use schemes) will be neglected, impairing delivery of the urban renaissance.
- RDAs are more likely to support physical development that will generate employment and contribute to economic growth. This may be achieved most rapidly by encouraging development on strategic employment sites.



Despite the Tier 2 target to contribute to the 'urban renaissance', the reclamation of derelict inner urban land for mixed-use development may not be given the priority that the Urban Task Force Report and Urban White Paper called for. A recent URBED report on 24 Towns and Cities confirmed that most RDAs were not taking the urban renaissance seriously (URBED 2002).

- A revamped English Partnerships has been tasked with the challenge of delivering residential and mixed-use development on brownfield sites as a result of the general reluctance of RDAs to engage in this type of activity.
- RDAs need to prioritise physical regeneration activity if they are to deliver their regional economic strategies. Funding will continue to be made available for site assembly, land reclamation and property development but not necessarily for urban regeneration.
- The prioritising of economic development by RDAs has necessarily reduced their commitment to social regeneration initiatives that were hitherto funded under the SRB regime.
- There is a danger of two parallel regeneration approaches emerging, one focused on promoting social inclusion, the other targeted on economic competitiveness and skills. This division is reinforced by the structural segregation of RDAs from Government Offices.
- Due to the inadequacy of the gap fund replacement, physical regeneration will increasingly need to be carried out or led by the public sector, through direct development, partnerships and joint ventures.
- URCs can deliver a long-term joined-up physical regeneration strategy for an area if RDAs give them support and sufficient resources.
- The report highlights the continuing need for a simplification of RDA performance indicators and further consideration of the balance between central regulation and regional autonomy provided under the existing performance management regime.
- This report would echo the concerns expressed about the lack of capacity and specialist skills within public agencies to promote and deliver the physical regeneration projects that are required in order to fulfill RDAs' ambitions and targets.

## **5.1 Further Research**

The current work is not definitive. It represents a step towards clarifying the likely commitment of RDAs to physical regeneration as just one part of their activities. Further work is required to:

- continue to scrutinise how many direct developments, CPOs and gap funded schemes have been initiated by RDAs, to assess whether their strategies are matched by their actions;
- examine RDAs' forthcoming Annual Reports and Accounts to identify changes in funding priorities and where new resources are being committed;
- investigate the spatial implications of clusters and whether they will address need rather than merely create opportunities;
- study the development and performance of URCs to reveal barriers to progress and opportunities to enhance their effectiveness.

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