Devolved governance and the economic problems of deprived areas

The cases of Scotland, Wales and four English regions

David North, Stephen Syrett and David Etherington

This study assesses the impact of new and emerging governance arrangements on tackling the economic and employment needs of those living in deprived places in six study areas.

There are separate chapters on four English regions (North East, South West, East Midlands and London), Scotland and Wales which consider:

■ how far the needs of deprived areas are addressed at a strategic level

■ the extent and nature of deprived areas

■ the extent to which economic opportunities are linked to needs

■ the effectiveness of existing governance and partnership arrangements.

Each chapter draws upon a review of various regional and national-level strategies, official data sources, a programme of interviews, and workshops with policymakers.

This is the second of three volumes by the same authors. **The main report**, *Devolution and regional governance: Tackling the economic needs of deprived areas,* and the third volume, *Interventions to tackle the economic needs of deprived areas: Analysis of six policy case studies*, are both available as free downloads on the JRF website.

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Introduction

This is the second of three volumes presenting the findings of research into the impact of devolution and regional governance in the UK since 1997 on policies for tackling the economic needs of deprived localities. The research was undertaken between 2005 and 2007 and had the following four aims.

1   To assess the actual and potential impact on the economic and employment needs of disadvantaged places of new and emerging governance structures at the regional and sub-regional scales.

2   To assess the degree of compatibility between strategies at the regional and sub-regional levels concerned with economic development and job growth, and policies at the local and neighbourhood levels concerned with tackling economic and social exclusion.

3   To identify and critically evaluate examples of good practice where integration between different levels of governance and economic and social policy agendas has benefited deprived localities and the people who live and work within them.

4   To generalise lessons from such good-practice examples, paying particular attention to the importance of regional differences in governance arrangements and the relative benefits of different kinds of interventions.

The research has been conducted in two sequential stages. The first focused on aims (1) and (2) above, and involved a review and analysis of strategies at the regional and sub-regional level, and policies in relation to the needs of disadvantaged places and people. The study areas were characterised by a range of different devolved and regional governance arrangements, as well as different types of deprived areas (i.e. inner cities, coalfields and rural areas). They comprise four English regions – North East, South West, East Midlands, and London – Scotland, and Wales. The second stage focused on aims (3) and (4) and examined six different examples of policy interventions aimed at tackling the economic needs of deprived localities, one from each of the study areas in order to consider the possible influence of different models of devolved governance.

Volume 1, which presents the main findings of the research, is supplemented by two further volumes: Volume 2 presents the detailed findings relating to the four English regions, Scotland and Wales on governance arrangements and deprived localities; Volume 3 presents the analysis of each of the six case studies of good practice.

This volume comprises separate chapters on each of the four English regions, Scotland and Wales. It is envisaged that many readers will want to use it largely for reference purposes, dipping into chapters on particular regions in which they have an interest. Each chapter draws on a review of various regional- and national-level strategies, official data sources and the extensive programme of interviews with key actors and stakeholders. Workshops held in each study area between April and October 2006 also informed the various findings and enabled the report to incorporate other perspectives into the analysis.

Each chapter follows a similar structure in order to facilitate comparison between the study areas:

1   an introduction giving the reasons for selecting each region/jurisdiction

2   an overview of the economic challenges that each region/nation is facing and the geographical extent and incidence of deprived localities

3   a description of the governance arrangements at various spatial scales

4   a summary of the most recent economic strategies and other key strategies insofar as they relate to tackling the economic needs of those living within deprived areas

5   a presentation of the findings around the key themes of the research, namely:
    ■ linking economic growth with combating social exclusion, including whether there is any explicit attempt to link opportunities resulting from investment and growth with the employment needs of those living in deprived areas
    ■ governance and partnership, including consideration of the linkages between organisations at different spatial scales (i.e. vertical linkages) and between those with various functional responsibilities at a given spatial scale (i.e. horizontal linkages).

Given the evolving nature of devolution and regional governance, and the ongoing changes to government policies in the areas covered by this research, it is clearly difficult for each chapter to be fully up to date. For example, the May 2007 election results in Scotland and Wales are likely to alter the course of economic development and regeneration policies in these territories. However, the authors have tried as far as possible to present the current picture at the time of writing (spring 2007). Each chapter aims to give a flavour of the recent changes occurring to governance arrangements and their possible implications for addressing the needs of deprived localities. For wider lessons from this work and how it links to the overall research, readers should refer back to Volume 1.

1 The North East region

Introduction

The North East was selected for study for three principal reasons. First, a high proportion of the North East's population live in neighbourhoods that have been classified as being among the most deprived nationally, so the link between policies aimed at improving regional economic performance on the one hand and those tackling the problems of social exclusion and deprivation on the other is particularly relevant if the prospects of a significant share of the population are to be improved. Second, it is a region that has suffered greatly from deindustrialisation over the last three decades and the collapse of employment in the coal, steel, shipbuilding and other engineering industries. The effect of this on the families whose working lives revolved around these industries lies at the heart of the concentrations of deprivation and worklessness found throughout the region, notably in the former coalfield settlements and industrial towns. And, third, at the time this project was started, it looked as if the North East was going to be the first of the English regions outside London to move towards a more devolved form of government with its own elected assembly. In the event, of course, this did not happen, as the region's population voted against the Government's proposals in November 2004. Even so, it is interesting to see what has happened to regional governance in the North East since the 'no' vote and in particular what the implications have been for addressing the economic needs of the deprived localities within the region.

This chapter draws on evidence from a number of sources. As well as the use of official statistics relating to various measures of economic performance and deprivation for our discussion of the economic and governance context (see next section), it draws on a number of recent reports and strategies concerned with different aspects of the North East. However, the main source for the discussion (see section headed 'Key issues, challenges and barriers') is the interviews that were conducted between September and November 2005 with representatives of a range of organisations operating at various spatial levels. Seven face-to-face interviews were carried out with organisations operating at the regional and sub-regional scales, including the Regional Development Agency (RDA), Government Office, Regional Assembly and sub-regional partnerships. In addition, eight telephone interviews were conducted with representatives of other organisations, including the Regional Skills Partnership, the TUC, the Voluntary and Community Sector (VCS), New Deal for Communities and various local regeneration initiatives (see full list at the end of the chapter). Further insights come from a workshop held in April 2006 and hosted by the North East Assembly, which involved 15 representatives from the various

organisations that were interviewed. This provided an opportunity to progress the discussion of issues and to take on board some of the latest policy developments.

Economic and governance context

Economic challenges

Narrowing the gap in regional competitiveness and performance

The statutory purpose of the RDAs, as laid down in the Regional Development Agencies Act (1998), relates to improving the economic performance of their respective regions through their responsibilities for economic development and regeneration; promoting business efficiency, investment and competitiveness; promoting employment; enhancing the development of skills; and contributing to sustainable development. The Government at the time saw the RDAs as contributing not only to strengthening national economic performance and competitiveness, but also to reducing disparities both between and within regions. This continues to be the case, as currently expressed in the Government's Public Service Agreement (PSA) 2 target of reducing the persistent gap in growth rates between regions. However, the Government insists that this should be achieved via a 'levelling-up' rather than 'levelling-down' process.

To date, there have been three iterations of the regional economic strategy (RES) for the North East since the RDA (One NorthEast) was set up in 1999 and all of them have been dominated by the need to reduce the gap in economic performance between the North East and the UK as a whole. On a range of measures, the gap between the North East and the UK has remained persistent over the last ten years, although on some measures there is recent evidence of a narrowing of the gap. As Figure 1 shows, the North East has the lowest employment rate of all the English regions, being 69.7 per cent in the third quarter of 2005 against a UK average of 74.9 per cent. It is estimated that 80,000 more people would be in work in the region (equivalent to 5 per cent of the region's workforce) if the employment rate was at the national level (One NorthEast, 2006, p. 99). While claimant unemployment in the North East fell faster than that nationally over the 2001–05 period (a drop of 33 per cent compared with 19 per cent nationally) (Figure 2), the level of worklessness has remained very high, such that the latest RES acknowledges that 'worklessness, and in particular the high proportion of Incapacity Benefit (IB) claimants, is arguably the biggest economic challenge facing the region' (One North East, 2006, p. 11) (Figure 3). A dominant theme running through the latest RES is therefore 'economic inclusion' and the importance of increasing the proportion of the working-age population who are in employment.

Figure 1 Employment rate
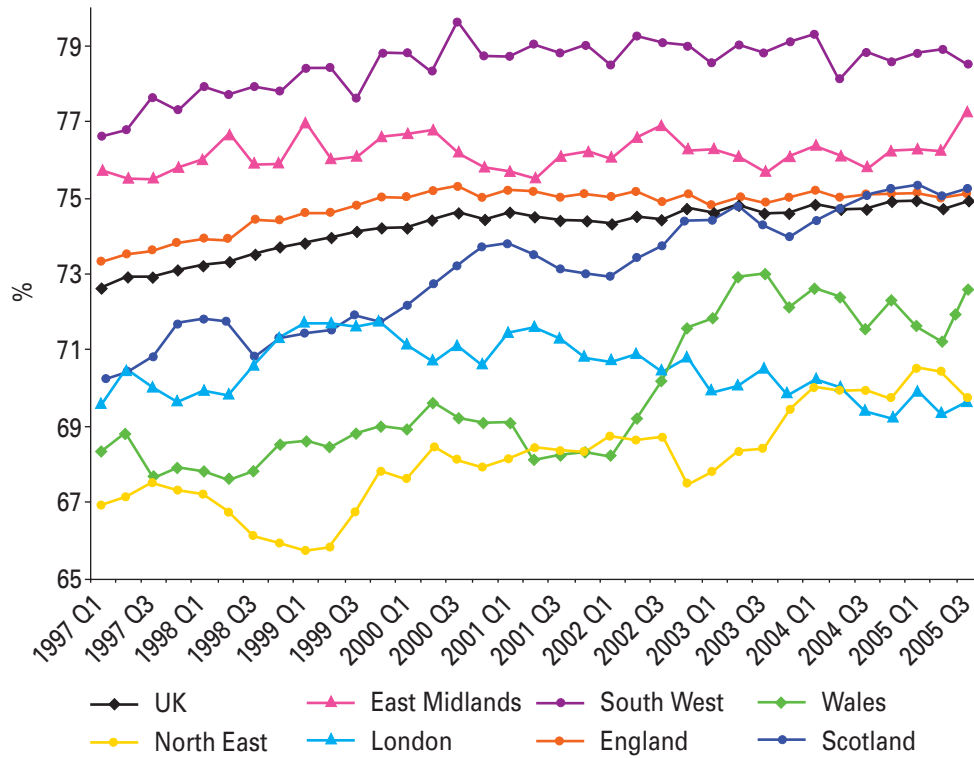
Source: Labour Force Survey, Office for National Statistics.

Figure 2 Unemployment rate
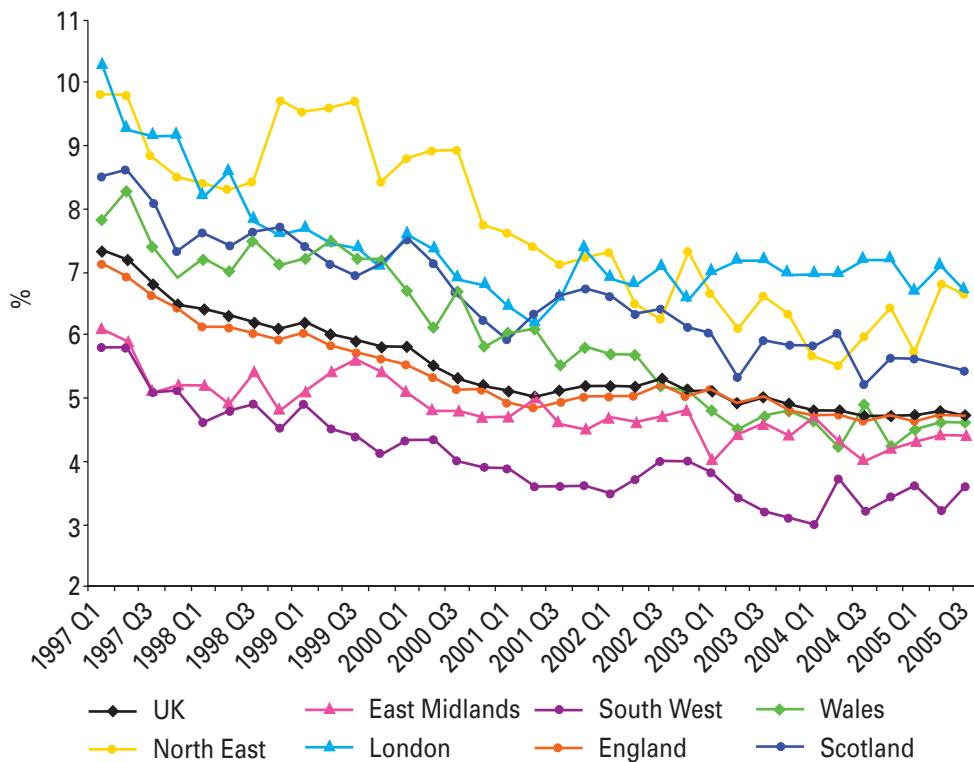
Source: Labour Force Survey, Office for National Statistics.

Figure 3 Benefit payment (incapacity benefits/severe disablement allowance) as proportion of inactive population in the UK

Legend:
- 1997/98
- 1998/99
- 1999/2000
- 2000/01
- 2001/02
- 2002/03
- 2003/04
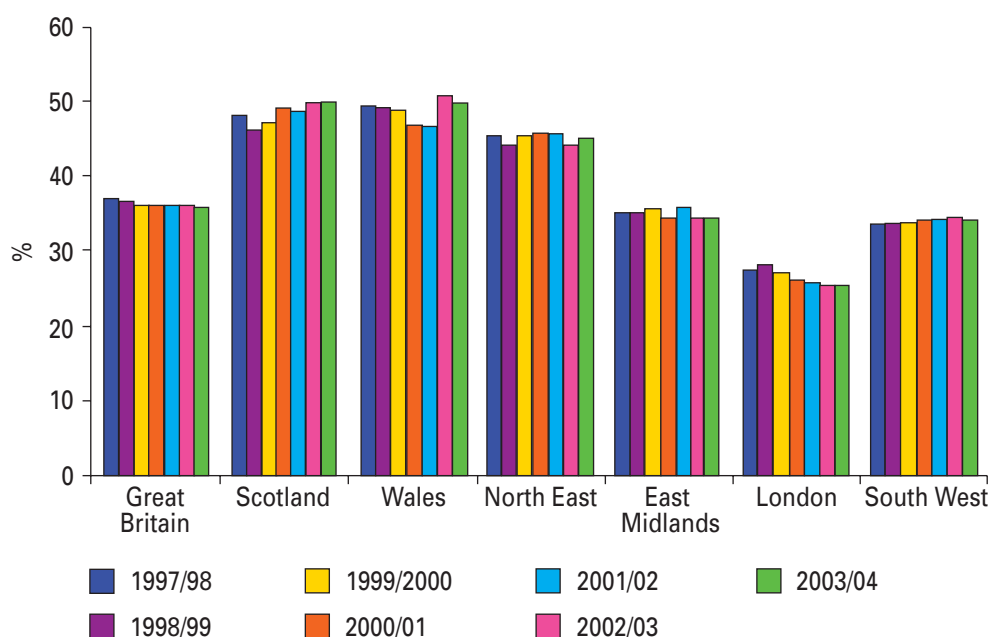
Source: Department for Work and Pensions.

It is the low level of employment participation in the North East combined with the below-average level of productivity of those in work that is the cause of the region's relatively low level of competitiveness, as measured by gross value added (GVA) per head (Figure 4). In 2004, the GVA per head in the North East was 79 per cent of the national average, ranging from 85 per cent in Northumberland and Tyne and Wear to 72 per cent in the Tees Valley and Durham. The RES attributes the poor productivity in part to the North East's recent history of being a 'branch plant economy' and the associated 'employee' as opposed to 'employer' culture, with many companies' operations in the region being distant from best practice and R & D elsewhere. The North East also has a particularly high level of dependence on the public sector, accounting for 24.2 per cent of GVA in 2004 compared to 18.7 per cent in the UK.

Figure 4 Regional GVA per head
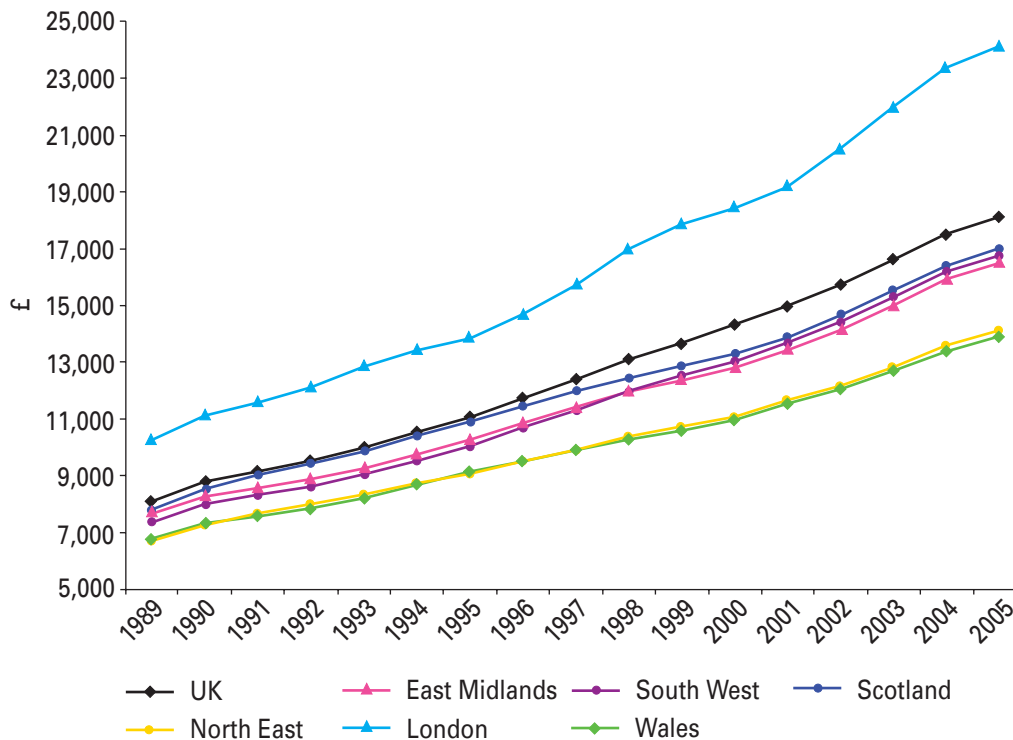
Source: Office for National Statistics.

Another recurrent theme in the various iterations of the RES has been the absence of an enterprise culture in the North East and the need to create more new enterprises as well as the growth of existing small businesses. According to the Global Entrepreneurship Monitor (GEM), the North East has the lowest level of Total Entrepreneurship Activity[1] within the UK at 3.8 per cent of the adult population. Similarly, rates of business start-up in 2004 stood at 23 VAT registrations per 10,000 population against a national average of 42 registrations. From 1994 to 2004, the size of the business stock in the North East actually declined by 3 per cent. The latest RES estimates that an additional 18,500 to 22,200 businesses need to be created in the North East to reach 90 per cent of the national level. To increase the business stock, the RES states that there must be a significant shift in the entrepreneurial culture of the region to one that values enterprise and encourages risk taking. In order to achieve this, One NorthEast's enterprise team is focusing on:

1 future entrepreneurs, aiming to change attitudes towards entrepreneurial activity

2 start-up support, to help entrepreneurs develop their ideas and stimulate business creation

3 attracting entrepreneurs by promoting the region as a place to do business.

Inequality and deprivation

Geographical extent of deprived neighbourhoods

Using the Government's own definition of deprived neighbourhoods, the North East is the most deprived of the English regions. The Index of Multiple Deprivation (IMD) for 2004 showed that almost 38 per cent of Super Output Areas (SOAs) in the North East were in the 20 per cent most deprived in England and 21 per cent were in the 10 per cent most deprived (Figure 5). In fact, just under a quarter (22 per cent) of the North East's population live in the most deprived 10 per cent of areas within the country. Moreover, 28 per cent of streets (Census Output Areas) in the North East have concentrations of workless people compared with just 2 per cent in the South East region (ODPM, 2004). As Figure 6 shows, deprived neighbourhoods are spread across much of the region, being found not just in the inner areas of the main cities and towns, but also in the former coalfield areas and the rural parts of the region. The high incidence and pervasiveness of deprivation throughout the North East reinforces the point that improvements in the livelihoods of deprived communities are closely bound up with improvements in the economic prospects of the region as a whole.

Figure 5 Percentage of SOAs in the most deprived 10 per cent and 20 per cent of SOAs in England
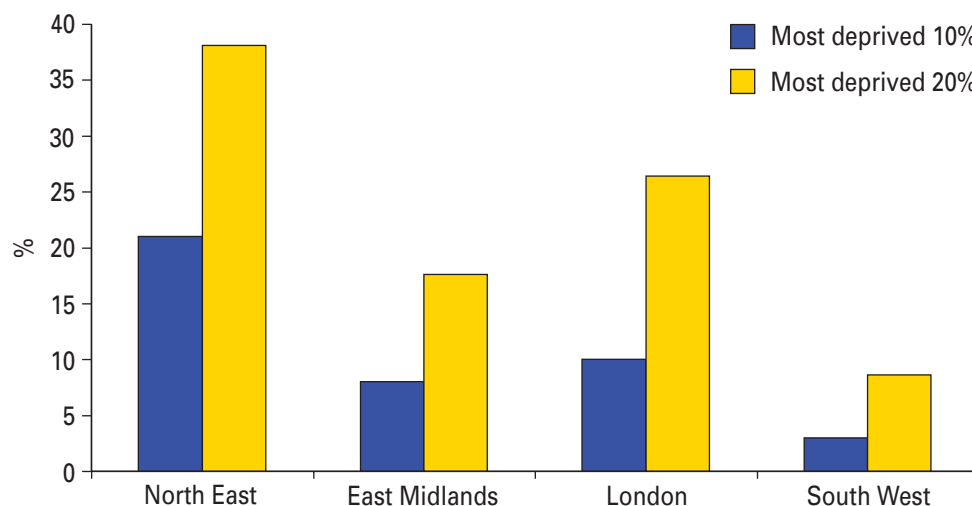
IMD 2004 by region.
Source: ODPM.

Figure 6 North East Index of Multiple Deprivation 2004
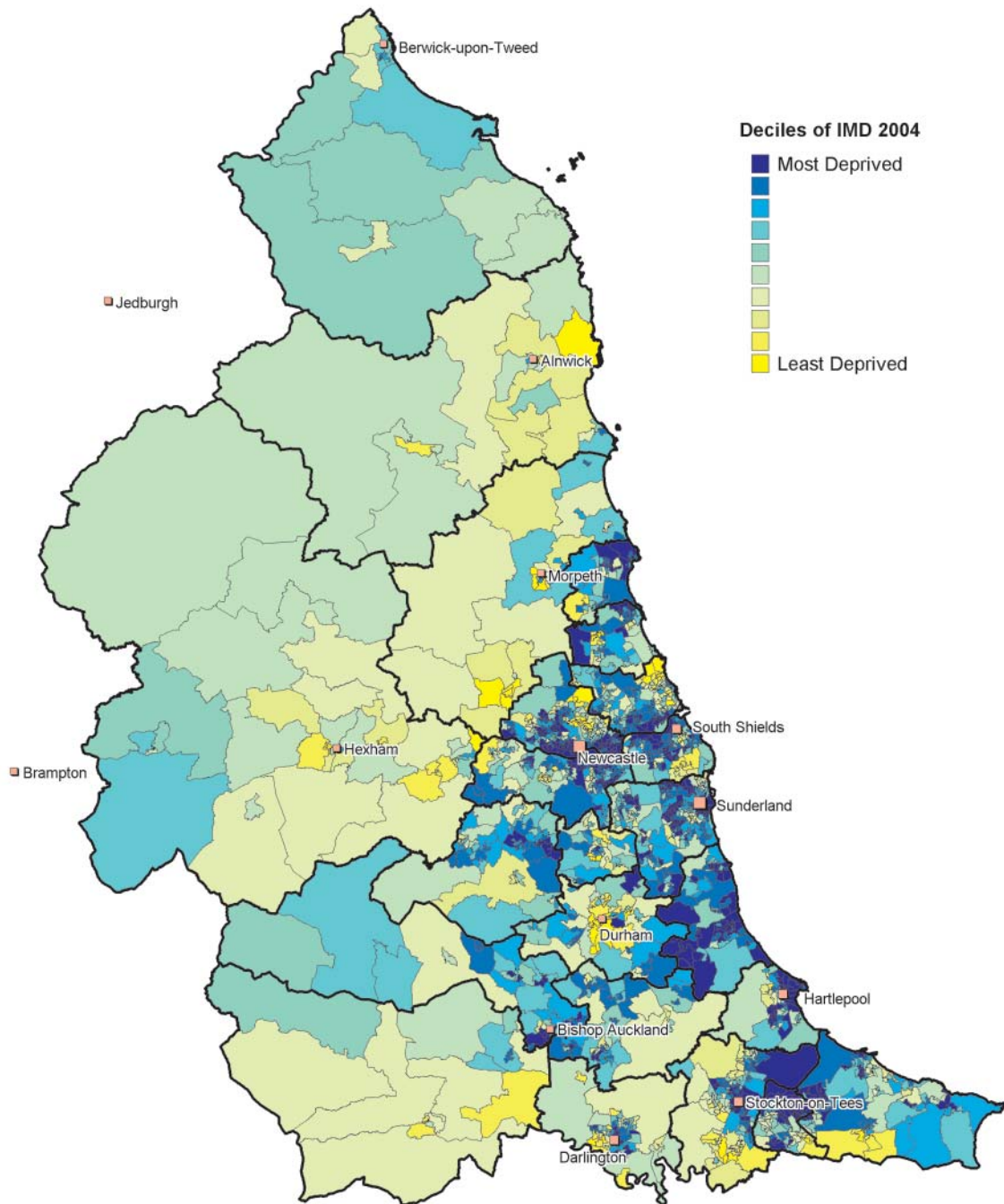
Source: DCLG.

Spending on deprived areas

Given the extent of deprived neighbourhoods within the North East, the region has been a major recipient of a range of government regeneration and neighbourhood renewal programmes. Between 1995/96 and 2000/01 the North East received £469 million of Single Regeneration Budget funding for a wide range of partnership-led regeneration initiatives, but from 2001 this became transmuted into the RDA's Single Programme. The New Deal for Communities programme provides £215 million over a ten-year period for community-led regeneration schemes in Middlesbrough, Hartlepool, Sunderland and Newcastle. Since 1999, 14 of the 25 local authorities in the region have received Neighbourhood Renewal Fund monies, totalling some £377 million. In addition to these central government funding programmes, the region has qualified as a result of its Objective Two status for over £500 million from the European Regional Development Fund and European Social Fund over the 2000–06 period. This has helped fund a programme of projects with a total value of over £1.1 billion.

While One NorthEast does not publish figures on how much of its spending has been directed at deprived localities within the region, its annual reports show income and expenditures relating to the Renaissance and Coalfields programmes, these being key strategies where there is a geographical focus on deprived areas. Table 1 shows the average investment in these programmes in 2003/04 and 2004/05, and that it comprised about a quarter of the total income and expenditure on the RES's 'key drivers' in the region.

Table 1 One NorthEast's income and expenditure by key driver, 2003–05

Annual report Income and expenditure by key driver	2003/2004		2004/2005	
	Total income (£'000)	Total expenditure (£'000)	Total income (£'000)	Total expenditure (£'000)
Renaissance	50,714	60,974	60,019	62,199
Coalfields	7,304	3,137	10,081	5,250
Total investment	58,018	64,111	70,100	67,499
Total of seven key drivers*	263,772	265,126	272,762	282,374
Ratio (%)	22	24	26	24

* Total of seven key drivers is the sum of financial resources allocated to: creating wealth; entrepreneurial culture; skills; universities and colleges; transport, communication and property needs; accelerating the renaissance of the North East; and coalfields.
Source: One NorthEast Annual Report 2003/04.

Governance

Figure 7 maps out the multilevel governance structure that relates to tackling the problems facing deprived localities within the North East. Here we describe briefly the key organisations at different levels.

Figure 7 Economic governance structure: North East region
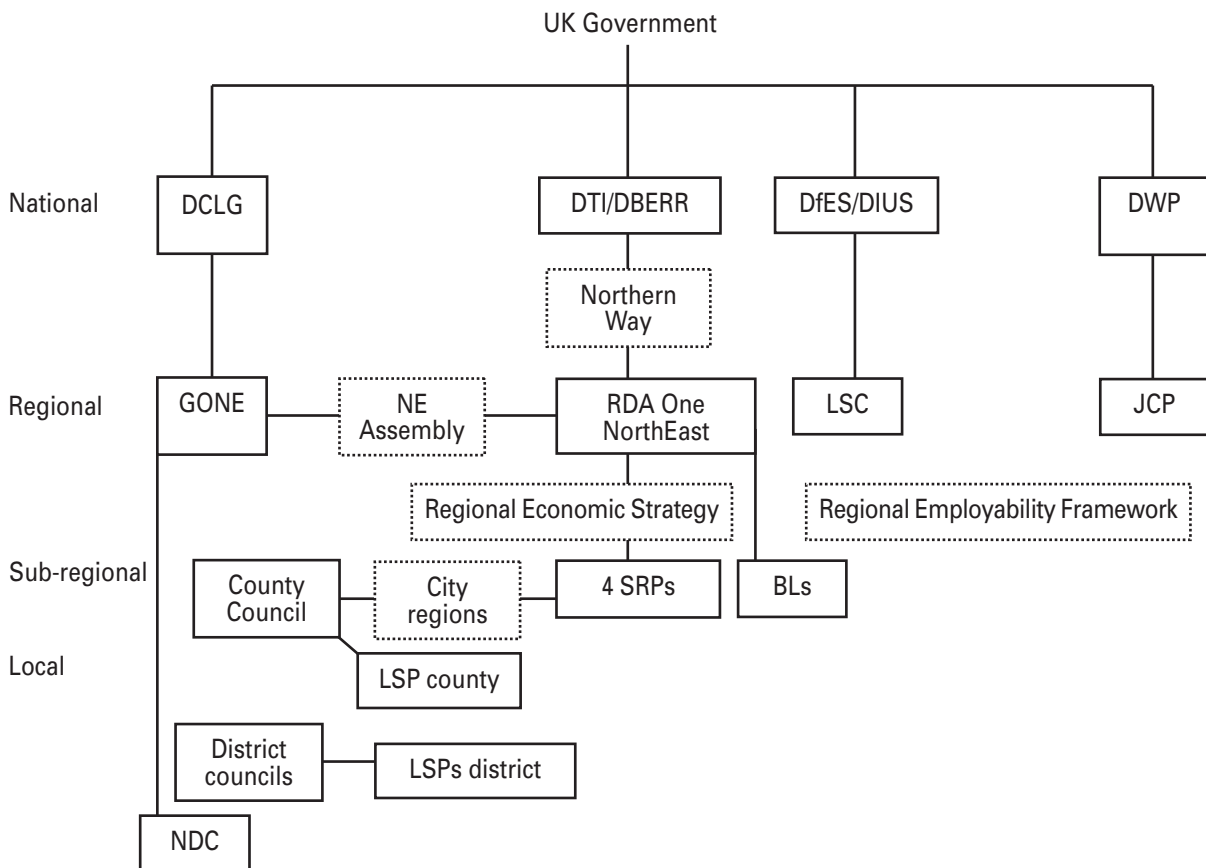
BL	Business Link
DCLG	Department for Communities and Local Government
DfES/DIUS	Department for Education and Skills (now Department of Innovation, Universities and Skills)
DTI/DBERR	Department for Trade and Industry (now Department for Business Enterprise and Regulatory Reform)
DWP	Department for Work and Pensions
GONE	Government Office for the North East
JCP	Jobcentre Plus
LSC	Learning and Skills Council
LSP	Local Strategic Partnership
NDC	New Deal for Communities
RDA	Regional Development Agency
SRP	Sub-regional partnership

Note: in single-tier areas, unitary councils replace and combine the functions of district and county councils.

Regional level

One NorthEast has a budget of £254 million and employs 418 staff. It is led by a board, the majority of whom are drawn from the private sector but also including one from each of the voluntary sector, higher education and the trade unions, and two from local authorities in the region. It is directly accountable to the Department for Business Enterprise and Regulatory Reform (DBERR, formerly the DTI). Since the 'no' vote on having an elected regional assembly for the North East, various commentators think One NorthEast has 'stepped into the vacuum', taking more of a leadership role (Shaw *et al*., 2006). The change of its Chief Executive in 2003 led to a major reorganisation, with the result that it is now considered to be more focused spatially, as well as having improved its delivery capability (National Audit Office, 2006).

The Government Office for the North East (GONE) is responsible for a range of central government functions and programmes in the region, including regeneration and neighbourhood renewal, housing and transport. As such, GONE has primary responsibility for the management of the Neighbourhood Renewal Programme and has been the main source of support and funding for the three New Deal for Communities programmes in the region. While it is seen essentially as the voice of central government in the region, it also has a role in representing the region's interests in Whitehall.

The North East Assembly is made up of 73 members, drawn mainly from local authorities in the region, but also including representatives from trade unions and the voluntary sector. Primarily, the Assembly has a scrutiny role; for example, in 2002, it prioritised job creation in deprived areas as a topic for a scrutiny report on the work of One NorthEast because of concerns about whether the RDA's spending was directly or indirectly helping deprived areas within the region and also about whether the kinds of jobs being created were appropriate given the skills and work experience of those living in deprived communities (North East Assembly, 2002). The Assembly is also responsible for producing the regional spatial strategy (RSS) and integrating this with the RES and other strategies. It is generally considered that the Assembly was adversely affected by the referendum result and is now too weak to provide effective regional leadership (Shaw *et al*., 2006); to quote from one interviewee:

> … the Assembly is seen as the forum for making the political points about regional inequality although the no vote for devolution has tended to weaken its voice.

In response to the increasing regionalisation of governance from 1997 onwards, the voluntary and community sector set up Voluntary Organisations' Network North East (VONNE) in 1999 so that the sector could be represented at the regional level. Previously, the sector had operated solely at the local scale. VONNE has two seats on the Assembly and has established a voluntary sector liaison group with One NorthEast. The network now comprises over 600 organisations, leading to problems in trying to represent such a diverse range of interests.

Sub-regional level

Although there is not a formal tier of government at this level, there has been partnership working at the sub-regional level dating back to the 1980s. The existing sub-regions are defined by the counties, resulting in four sub-regional partnerships (SRPs): Tyne and Wear; Northumberland; Durham; and Teeside. From 2001 until 2005, One NorthEast devolved 75 per cent of its uncommitted resources to the four SRPs, with the intention of giving them a prominent role in the economic development of the region and the implementation of the RES. However, in 2005, One NorthEast took the decision to reduce the devolved budget to the SRPs to a maximum of 50 per cent of uncommitted resources. This has implications for the work of the SRPs, as they have been heavily dependent on funding from One NorthEast; for example, Northumberland Strategic Partnership received four-fifths of its funding from the RDA over the 2001–05 period.

Regional strategies and deprived localities

The regional economic strategy

In the previous versions of the RES, the main focus was not on deprived areas in the region but more on 'opportunity' areas where growth potential could be exploited. It was assumed that the benefits of new investment and economic growth would reach the deprived areas and communities without the need for direct intervention; to quote from an interviewed officer within OneNorth East:

> … in the past the RDA essentially said that the thing we can do for the people of the North East is to improve their economic opportunities and to grow the economy – as we have limited resources, the priority is to get more jobs and businesses and more economic activity and let somebody else worry about who benefits from that and all the social issues.

However, there now appears to be a greater focus on deprived areas in the revised RES entitled *Leading the Way*, this being related to the renewed emphasis being placed on improvements in labour productivity and increasing participation in the labour market (One NorthEast, 2006). The aim is to stimulate more movement between jobs so that people are encouraged to move out of 'entry-level' jobs into more skilled employment, thereby vacating jobs that can be filled by the unemployed. This is inevitably leading to a greater focus in the latest RES on localised concentrations of worklessness and deprived areas. One NorthEast is seeking to encourage more businesses to invest in deprived areas or in locations where investment will impact on nearby deprived areas. To quote from the revised RES:

> In focusing on strategic activity to drive up economic participation rates in the region, we must not rely on 'trickle down' economics. Rather, concerted efforts will be made to link areas of opportunity with areas of disadvantage, and to work with communities to overcome the barriers they face in economic engagement.
> (One NorthEast, 2006, p. 16)

'People' has been identified as one of three areas of action in the latest RES (along with 'business' and 'place') and various strategies are put forward to improve access to employment (including active labour market policies and improved co-ordination between the public, voluntary and private sectors), to raise economic participation in deprived communities (including increasing enterprise and skill levels) and to promote equality and diversity. The RES also recognises that improving access to employment requires delivery at two levels, consisting of demand-led, sector-based measures at the travel to work area level (i.e. sub-regional scale) and locally based, flexible programmes to engage individuals at the neighbourhood level.

The Regional Employability Framework

At various levels, there is a growing acceptance of the need to tackle 'worklessness'. Strategies for tackling worklessness are being developed at the sub-regional (e.g. Tyne and Wear Sub-regional Strategic Partnership) and local levels (e.g. Newcastle City Partnership). There has traditionally been a division of labour in terms of a focus on productivity and growth at the regional level via the RDA and tackling social and economic exclusion at the local/neighbourhood level. This is now becoming more blurred as the RDA and other institutions at the regional level begin to focus increasingly on economic inclusion on the one hand and as local authorities become more involved with the economic regeneration of deprived areas (e.g. through the Local Enterprise Growth Initiative and Local Area Agreements) on the other.

The Regional Employability Framework aims to shift the emphasis from worklessness to employability by bringing all the key stakeholders to the table (including the RDA, Jobcentre Plus and the Learning and Skills Council) and achieving a better alignment of funding (including Jobcentre Plus discretionary funds, the European Social Fund and Lottery monies). For those furthest from the labour market the key issues are how to:

1   engage them

2   support them into work

3   encourage employers to engage

4   retain them once in work.

The REF focuses on clusters of the most deprived Super Output Areas. Within Tyne and Wear, for example, seven clusters have been identified where most attention is going to be focused. To avoid the process becoming 'top down', the worklessness subgroups of the Local Strategic Partnerships covering the seven clusters are taking the lead in identifying local needs and priorities, and producing a plan and preferred options. The idea is then that the funders decide how best to skew their resources to address these locally determined priorities.

Key issues, challenges and barriers

Linking economic growth and social exclusion

Promoting a 'competitive region'

As discussed above, how to narrow the gap between the North East and other regions remains at the forefront of the thinking of One NorthEast and its various economic partners, as does the challenge of tackling disparities in performance within the region itself (One NorthEast, 2006, p. 15). Yet this raises various questions about whether this is possible, given that government policy is for all regions, including the most successful, to grow and become more competitive. A House of Commons ODPM Select Committee inquiry (2002–03) highlighted the pitfalls of government thinking about 'competitive regions':

> To reduce differences, emphasis must be given to the less prosperous
> regions. Treating unequal regions equally is not a recipe for reducing
> disparities.
> (House of Commons ODPM Housing, Planning, Local Government and
> the Regions Committee, 2002–03)

This view was also vividly expressed by an interviewee from One NorthEast:

> A core element of DTI thinking is that every region should maximise its
> strengths and address its weaknesses. It's like telling everyone in a race
> to run faster and expecting people at the back to catch up with people at
> the front. What the DTI is refusing to do is get the people at the front to
> run slower so that the people at the back can catch up.

In the absence of a redistributive regional policy, it is difficult to see how regions like
the North East can 'catch up'. This is especially the case given the Government's
ambitious growth agenda for the South East. While the idea of the 'Northern Way'
is ostensibly to bridge the North–South divide, there is little serious prospect of it
closing the gap with the South East. As seen from the North East, the Government
is in effect running a reverse regional policy, since the gravitational pull of the South
East is now being reinforced by the 2012 Olympics in London. In the words of
one participant in the North East workshop, 'it has become a black hole dragging
resources in'.

This has implications for deprived areas in more 'disadvantaged' regions as it
suggests that the solutions to tackling their economic problems rest not only with the
kinds of policies pursued within the regions themselves, but also with national-level
policies relating to the regional distribution of population growth and both private and
public investment. Thus the two challenges of reducing both inter-regional and intra-
regional disparities identified in the latest RES are inextricably tied together in their
dependence on a commitment at national level to a more redistributive approach to
economic and social opportunities than has been the case hitherto.

Linking opportunities with needs

A central problem relates to reconciling the demand and supply side of the labour
market. Demand-side policy tends to operate at the city-region scale, which makes
sense from a travel to work perspective, whereas, with the supply side, the policy
focus is more at the local or sub-local scale. How these two join up is a key issue.
From the perspective of One NorthEast, the major concern is not just to invest in

deprived areas, but also to ensure that investment in strategic locations will benefit people living in deprived areas. However, those responsible for the management of programmes in deprived neighbourhoods, such as the New Deal for Communities programme in Newcastle West Gate, argue that this will happen only through action at a very local level: 'it is necessary to drill down into these communities'.

At the local level, there are examples of effective partnership arrangements for tackling worklessness involving Jobcentre Plus, such as South Tyneside Action Team for Jobs. There is agreement among those managing initiatives at the local and neighbourhood levels that, to be effective, tackling worklessness requires outreach work and one-to-one personal advisory work to overcome the multiple barriers that people have that prevent them entering the formal labour market. The experience of existing initiatives indicates that such outreach is best facilitated by involving local community and voluntary organisations to build up trust and credibility. This is something that they feel is not always appreciated by those responsible for more strategic policy developments at the regional and sub-regional scales.

Numerous examples were given in the interviews of the lack of engagement and interaction between growth areas and neighbouring deprived areas. For example, the Newcastle Business Park appears to be cut off from the neighbouring Newcastle West Gate NDC area, leading to the view that 'trickle down just doesn't happen here'. Similarly, the New and Renewable Energy Centre (NREC) in Blythe (one of the region's 'centres of excellence') was thought to be having little beneficial impact on the Neighbourhood Renewal Management area next to it. As yet, there was little sign of any 'spin-off' small businesses or jobs being generated for local people; in the words of one interviewee, 'local disadvantaged communities are hardly stuffed with people with PhDs!' However, it was also mentioned that there are now plans to try and recruit local people onto training courses for technicians and it is also hoped that the presence of a high-level research establishment could become motivational for local young people.

At the time the interviews were conducted in 2005, the DTI was asking One NorthEast to provide a breakdown of its spending between disadvantaged and non-disadvantaged areas. However, as several interviewees pointed out, simply because a large project is located in a deprived area does not mean that it will employ local people or have a significant local economic impact without appropriate intervention. Various contributors to the workshop stressed the importance of building in the desired links between growth areas and disadvantaged areas at the beginning of regeneration projects in order to try and maximise the distributional benefits. The Quays to Employment Project in Gateshead is an example of an intervention taken by the local council in association with other key agencies in order to try and ensure

that local people benefited from major quayside regeneration projects, including the Baltic Centre and the Sage. Working through an outreach team of 18–20 officers, the council claimed that around 100 people with 'multiple problems' obtained employment in the regeneration projects.

Other job-creation initiatives appear to be bypassing deprived communities; for example, it was alleged that only one person within the Newcastle West Gate NDC area had benefited from the City Council's city-wide programme of recruiting and training unemployed people for its direct works department. However, once the NDC started its own more targeted recruitment initiative, seven local people were taken on by the council. Also, similar initiatives can be met with very different responses in different communities, emphasising the importance of tailoring policies to the local dynamics. For example, in the former coalfield area of Easington, various access to employment projects have had a better impact in Horden, where there is a strong sense of community, than in Peterlee, which has a much more transient population.

With regard to the RES's objective of creating a more dynamic labour market in which people move up the skills ladder, some interviewees working with the unemployed drew attention to how low pay was proving a disincentive to moving out of entry-level jobs. Examples were given from South Tyneside of where employers are paying the minimum wage for a range of different types of work requiring different skill levels, because they know it will be topped up with tax credits. There is therefore little incentive for a person to take a higher-skilled job if the pay they receive is the same as in an entry-level job.

Housing markets and the regional economic strategy

At the regional and sub-regional levels, the policy agenda, including the revisions to the RES, is increasingly being driven by the Government's 'Northern Way' proposals. This is influencing a range of policy decisions, including those relating to what are the key growth sectors, the kinds of skills to be developed and the quantity and type of housing to build. In fact the housing aspect is becoming a more significant strand of the RDA's programme as a result of the Northern Way. The housing strategy that has been produced by the Regional Housing Board aims to influence the location of private sector investment, since this now accounts for 90 per cent of housing investment in the region.

The two Housing Market Renewal (HMR) areas (in Newcastle/Gateshead and in Tees Valley) are seen as increasingly important in terms of regenerating some of the more deprived areas and attracting and retaining economically active people within

these communities. There is an increasing acceptance of the need to understand the links between the housing and labour markets in the North East, and the way in which the type and quality of the region's housing stock has contributed to localised concentrations of deprivation. According to the Regional Housing Board, despite the unprecedented growth in the region's housing market, there is an increasing problem of 'affordability' in many parts of the region, including some rural areas and inner-urban areas. There is also an ageing (pre-1919) and unattractive housing stock in many areas, and increasing shortages of social housing, with a danger that some people are being priced out of neighbourhoods that have proved particularly attractive to private housing investment, such as various quayside locations along the Tyne.

Governance and partnership

Vertical and horizontal linkages

There is a constantly shifting institutional and policy landscape in terms of governance structures where both horizontal (i.e. between different policy sectors and communities) and vertical integration and co-ordination (i.e. between different tiers of governance from national to neighbourhood) are difficult to realise. Governance of the regions has become more complex, which raises some important challenges given the performance targets that are being set to increase economic competitiveness and reduce social exclusion.

Although, in recent years, economic management at the sub-regional scale within the North East has been important, various trends are leading to concerns about the possible 'marginalisation' of the current sub-regional partnerships. At the time of the interviews, several organisations were being reorganised to operate at a regional scale – these include the LSC, Business Link and Jobcentre Plus. Whereas the boundaries of these organisations had been coterminous with the sub-regional partnerships, this will no longer be the case. Furthermore, even though One NorthEast distributed a substantial proportion of its uncommitted funds via the four sub-regional partnerships, most projects had to be in line with the RES in terms of their strategic fit and all projects over £0.25 million needed to be approved by the RDA board, leading to some (if not all) sub-regional partnerships feeling 'very constrained'. The decision of One NorthEast to devolve a maximum of 50 per cent of its uncommitted funds to the sub-regional level added to the view of an increasing shift of power to the regional level.

The vertical linkages between LSPs and SRPs are generally tenuous, although there are differences between the various sub-regions. The links are strongest in Northumberland where the LSPs are represented in the structures of the Northumberland Strategic Partnership. With this possible exception, the community strategies are not linked into the sub-regional strategies, and there is no 'formal' process by which the RDAs and SRPs engage with LSPs. Asked about the relationship between the LSP and the SRP, one interviewed LSP officer commented:

> It is a major concern to me frankly – there are people on our board who are on the SRP and they keep feeding back to me how disappointed they are that the SRP seems to be given over to the councils who are divvying up the money and everybody else seems to be turning up to make up the numbers.

There is also hardly any contact between the SRPs and the three New Deal for Communities teams in the region, resulting in little attempt to join up the various strands of community development in these areas with the economic development strategies being pursued at the sub-regional scale.

From the regional and sub-regional perspectives, the LSPs are regarded as fairly weak in terms of their ability to achieve regeneration – they are said to 'lack teeth because they are non-statutory' and tend to be overly complex, which inhibits their ability to think strategically. Having said that, however, some concern was expressed by the interviewee from One NorthEast that the increasing role that some LSPs were playing in local economic development, such as through their involvement in Local Enterprise Growth Initiatives (LEGI), was leading to potential conflicts with the RDA and was in danger of adding to the complexity of policy. One regeneration manager argued that the increasing focus on neighbourhood-level regeneration is making it more difficult to implement cross-boundary initiatives. In the case of the South East Northumberland and North Tyneside Regeneration Initiative (SENNTRi), it was claimed that the neighbourhood renewal agenda was tending to result in the district councils looking inwards when the solutions to many of the economic development, communications and access to employment problems are to be found at a wider spatial scale.

There are some concerns about the extent to which it will be possible to develop a 'joined-up' regional employability strategy that achieves the necessary integration between the demand and supply sides of the labour market. In particular, the organisational structure and performance-driven culture of Jobcentre Plus is seen by some as adversely affecting its ability to enter into partnerships at the regional level. However, this view is not universally held throughout the region. For example,

the interviewee from the Northumberland Strategic Partnership is full of praise for the role that Jobcentre Plus has been playing alongside other partners in the sub-region's workforce development initiative, which involves setting up a single point of access for employers, employees and the unemployed about job vacancies.

Compared to other regions, partnership working is generally well practised and developed in the North East, perhaps benefiting from the relatively small size of the region, a strong sense of a regional identity and a history of co-operation and partnership working via involvement in past initiatives. However, while there is generally an acceptance of the need for partnership approaches to tackle the problems facing the region, various interviewees spoke about the difficulties they were encountering in managing partnerships and in integrating the actions of a range of partners, each with their own agendas, targets and priorities, which were not always compatible. For example, one regeneration project manager referred to the tendency for people to 'talk the partnership talk at meetings' but then to revert to adopting their parent organisation's mindset once they returned to the office. Another interviewee felt there was a need to spend less time on 'reworking the partnership architecture' and more time on developing trust between organisations and working out the best ways of working together.

Funding community development

Since the phasing out of the Single Regeneration Budget (SRB), there has been a decline in the number of active area-based partnerships in the region (and in Newcastle in particular). According to some interviewees, this is weakening the ability of LSPs to implement their neighbourhood renewal (NR) strategies, as it is proving more difficult to take responsibility for improving their neighbourhoods. Community groups can access Single Programme funds but projects need to have more direct links to economic development.

The North East Assembly has sought reassurance from One NorthEast that the proportion of funding going to schemes that will help create jobs in deprived communities would not be reduced under the Single Programme compared with the SRB (North East Assembly, 2002). While those interviewed from regional and sub-regional organisations emphasised that the Single Programme should not be seen as a legacy fund for the SRB and that it did not fund community development, the voluntary and community sector estimates that it is facing a growing funding gap, calculated to be in the region of £50 million (VONNE, 2005), compared to the situation a few years ago. VONNE estimates that, whereas about £20 million per year of SRB funding was going towards projects involving the VCS, less than 1 per cent

of Single Programme funding is going to the sector. Voluntary organisations working at the local level complained about the difficulties of accessing Single Programme resources, in one case commenting that they had to go through a convoluted and time-consuming process involving several separate tiers of governance.

On top of the phasing out of the SRB is the cut in European funding for the North East from 2007 onwards, which again impacts particularly on the voluntary and community sector. This leads to what one interviewee from the sector described as 'a double whammy', as it also results in local authorities having less funding with which to support VCS projects and organisations. There was also concern that various institutional changes, such as those affecting Jobcentre Plus and the Learning and Skills Council, were likely to squeeze out the VCS. An example was given of where the VCS had been particularly innovative within the West End of Newcastle NDC area in terms of providing business development support for Asian businesses, thereby meeting a demand not met by mainstream business support organisations. However, this type of activity was in danger of being lost as a result of the funding difficulties that VCS organisations were facing.

Despite the long-term and deep-seated processes leading to the high incidence of deprived neighbourhoods within the North East, those involved in managing various kinds of projects at the local level commonly criticised the heavy reliance on short to medium-term, quick-fix solutions and short-term funding commitments. Various difficulties stem from this, including the high turnover of project staff and a tendency to focus on 'creaming' (e.g. concentrating on those individuals most likely to find work) in order to achieve programme/project targets rather than tackling the more challenging and problematic cases. Too much of staff time can also be devoted to bidding for future funds rather than focusing on the effective delivery of the project.

The Northern Way and the city region agenda

City regions are now at the forefront of the policy agenda (see HM Treasury *et al.*, 2006; ODPM, 2006) as is the Northern Way Growth Strategy. In the North East this relates to two city regions, Tyne and Wear and Tees Valley, which are both producing City Region Development Programmes. City regions tend to be defined by travel to work and housing market areas and are also seen as key to managing labour markets within the region, hence the Regional Employability Framework is also focusing on the above two city regions. The city region is seen as a way of achieving voluntary co-operation between existing organisations, including local authorities, rather than creating yet another tier of governance.

While city regions may make sense in economic terms, they create difficulties in governance terms. For example, there are questions about how the two city regions will shape economic governance within the region and its implications for the existing sub-regional partnerships. It is unclear how the governance structures will operate and how funding will be allocated, as well as concerns about the lack of a political dimension to city regions. From the Northumberland perspective, there are also concerns about policy and funding streams becoming too conurbation focused and the needs of rural areas being given a lower priority. It is unclear how city region governance will connect to and relate with existing partnerships outside the city regions.

City region growth strategies clearly have distributional consequences and could provide an answer to linking the economic development and social exclusion agendas. In relation to deprived areas, the Tyne and Wear City Region Development Plan (CRDP) states:

> … employment programmes in areas of deprivation across the city region are of vital importance if we are to close the prosperity gap. We will encourage new forms of private investment in neighbourhood renewal areas and encourage the 'stickiness' concept, to ensure wealth is recycled within the local economy.
> (Tyne and Wear City Region Working Group, 2005)

Conclusions

In conclusion, we focus on the two main research questions that the first stage of this research project has tried to address.

The first question concerns the impact that regional and sub-regional governance has had on the economic and employment needs of deprived localities within the North East. As the North East voted against having an elected regional assembly, the regional and sub-regional governance structure has remained similar to that of other English regions (outside London), although its well developed sub-regional tier is a distinguishing feature. On the basis of the research evidence, we conclude that the existence of regional and sub-regional structures within the North East, at least until now, appears to have made relatively little difference. The preoccupation of One NorthEast has been with achieving economic growth and on closing the gap between the economic performance of the North East and the UK as a whole. In this respect, it has been largely dancing to the tune set by central government, as reflected in a

number of Public Sector Agreement (PSA) targets. Moreover, the four sub-regional strategic partnerships have essentially been conduits for spending One NorthEast's resources in accordance with the regional economic strategy.

Concerns have been expressed by the Regional Assembly and others that the RDA and SRPs were giving insufficient attention to the creation of jobs in the most deprived areas within the North East. However, there is evidence that this situation is changing and that more emphasis is now being placed on deprived areas in the most recent version of the regional economic strategy. This is closely associated with the priority that has been placed on increasing economic inclusion in order to address the region's poor productivity performance. The drive to increase employment participation rates within the North East is inevitably leading to a focus on those localities that are experiencing the highest levels of unemployment and worklessness.

The second research question concerns the degree of compatibility that exists between strategies and policies at the regional and sub-regional levels concerned with economic development and job growth, and those at the local and neighbourhood levels concerned with tackling economic and social inclusion. In the case of the North East, the research evidence indicates that there has been little attempt to make an explicit connection between the two, with those responsible for economic strategies and their implementation still tending to rely on discredited notions of 'trickle down' to distribute the benefits of economic growth. Numerous examples were given by those with detailed knowledge of particular localities of where new investment and job generation were taking place close to deprived neighbourhoods, but with little connection between them. In the few instances where there have been direct interventions to try and ensure that local people benefit from major regeneration projects, they have met with some success, although they have invariably been hampered by the short-term nature of the funding available to them. An essential component of those initiatives targeted at those who are marginal to the labour market has been outreach activities and delivery by organisations that are trusted in deprived communities. Until now, there has been little attempt to join up and co-ordinate demand-side policies operating at the regional and sub-regional scales with those supply-side interventions focused on particular localities. It remains to be seen how far the new Regional Employability Framework, to be delivered at the city region scale, is capable of bringing these together.

Note

1   The Global Entrepreneurship Monitor's Index of Total Entrepreneurial Activity is defined as the share of adults in the total population of 18 to 64 year olds who are either actively involved in starting a new business or in managing a business less than 42 months old.

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VONNE (Voluntary Organisations' Network North East) (2005) *The 'Heineken' Factor: Reaching the Parts that Government Can't Reach*. Invest 2006 Campaign. Newcastle upon Tyne: VONNE

Organisations interviewed

One NorthEast – Economic Inclusion Team Leader

North East Regional Assembly – Assistant Director

North East Government Office – Communities Department Senior Manager

North East Regional Skills Partnership – Co-ordinator

North East Regional Housing Board – Head of Housing Board Unit

Voluntary Organisations' Network North East (VONNE) – Director

Northern Region TUC – Regional Policy Officer

Northumberland Strategic Partnership – Executive Director

Tyne and Wear Partnership – Assistant Director + Policy Officer

Newcastle Local Strategic Partnership – Co-ordinator

Quays to Employment Project, Gateshead – Economic Development Team Leader

Newcastle New Deal for Communities – Director

South Tyneside Action Team for Jobs – Project Manager

Acumen Trust (Easington) – Chief Executive

South East Northumberland and North East Tyneside Regeneration Initiative (SENNTRi) – Director

2 The South West region

Introduction

The South West was selected for study for three principal reasons. First, as one of the most rural regions, it enabled the issues relating to tackling deprivation to be studied in rural and peripheral area contexts, to add to inner city and coalfield area deprivation found in other regions. Second, while it is one of the most successful regions in terms of its economic performance, there are some marked intra-regional inequalities, particularly between the east and west of the region. It therefore enables consideration of the extent to which regional and sub-regional agencies are addressing these disparities and taking actions to achieve a fairer distribution of the benefits of economic growth within the South West. And, third, as Cornwall was given EU Objective One status for 2000–06, and now Convergence status from 2007, it enables the research to consider how the links between economic development and social exclusion have been shaped by the funding and policy mechanisms associated with being designated as one of Europe's most disadvantaged areas. For this reason, the research has focused on Cornwall as the chosen 'sub-region' within the South West.

This chapter draws on evidence from a number of sources. As well as the use of official statistics relating to various measures of economic performance and deprivation for our discussion of the economic and governance context (see next section), it draws on a number of recent reports and strategies concerned with different aspects of the South West, which have been produced by various regional organisations. However, the main source for much of the discussion of the issues relating to this research (see section headed 'Key issues, challenges and barriers') will be the interviews that were conducted between October 2005 and March 2006 with representatives of a range of organisations operating at various spatial levels. Nine face-to-face interviews were carried out with organisations operating at the regional and sub-regional scales, including the Regional Development Agency (RDA), Government Office, Regional Assembly and various agencies at the sub-regional scale including Cornwall Enterprise, Jobcentre Plus and the Learning and Skills Council. In addition, six telephone interviews were conducted with representatives of other organisations, including the TUC, the Voluntary and Community Sector (VCS) and particular regeneration initiatives within Cornwall. A list of the 15 interviewed organisations is given at the end of this chapter.

Economic and governance context

Economic challenges

Geographically, the South West is the largest of the English regions and has a population of over five million, 35 per cent of whom live outside the major urban areas in towns of under 10,000 and smaller villages. Apart from a handful of large urban areas (Bristol, Plymouth, Bournemouth and Poole, Gloucester and Swindon), it is essentially a rural region with 80 per cent of the land being classified as under agricultural use. However, these days, agriculture accounts for only 3 per cent of the region's employment, compared with the service sector (especially tourism, retail and public services), which accounts for 82 per cent, manufacturing 11 per cent and construction 6 per cent.

On several economic indicators, the South West is performing well above the national average. Over the last five years it has ranked second (behind the East of England) of the 12 UK regions and devolved administrations in terms of its growth in output, accounting for 7.8 per cent of the UK's total GVA in 2004. As shown in Figure 8, the South West's employment rate has been consistently above 77 per cent over the 1997–2005 period compared to a UK average of 74 per cent. Its unemployment rate has also been well below the national average, 3.2 per cent in 2005 compared to 4.7 per cent for the UK (Figure 9) and the number of people claiming unemployment-related benefits as a proportion of the total workforce fell faster in the South West than it did nationally over the 1997–2004 period (Figure 10). Skill shortages are one of the main problems facing the region, as shown by the fact that it had the third highest ratio of vacancies to jobs among the English regions in 2004, with a high proportion of the vacancies being classified as 'hard to fill' because of skill shortages (South West Observatory, 2006). The region has, however, been performing much better than most other regions in terms of enterprise development, achieving a 6 per cent growth in the total size of its business stock between 1994 and 2004. In 2004, there were 416 VAT-registered businesses per 10,000 adult residents compared to 378 nationally, reflecting the importance of sectors such as agriculture and tourism where very small businesses tend to predominate. Moreover, evidence indicates that entrepreneurial activity among women ranks second highest (after London), with 8.2 per cent of working-age women being self-employed in the South West compared with a UK average of 6.9 per cent (SWRDA, 2006a).

Figure 8 Employment rate
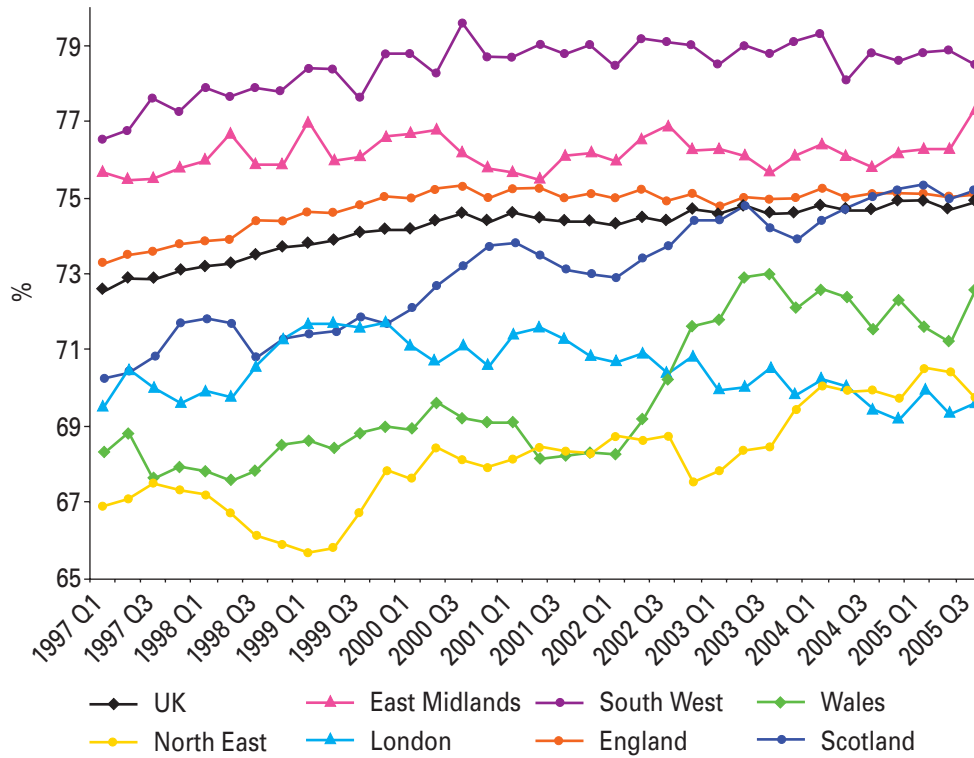
Source: Labour Force Survey, Office for National Statistics.

Figure 9 Unemployment rate
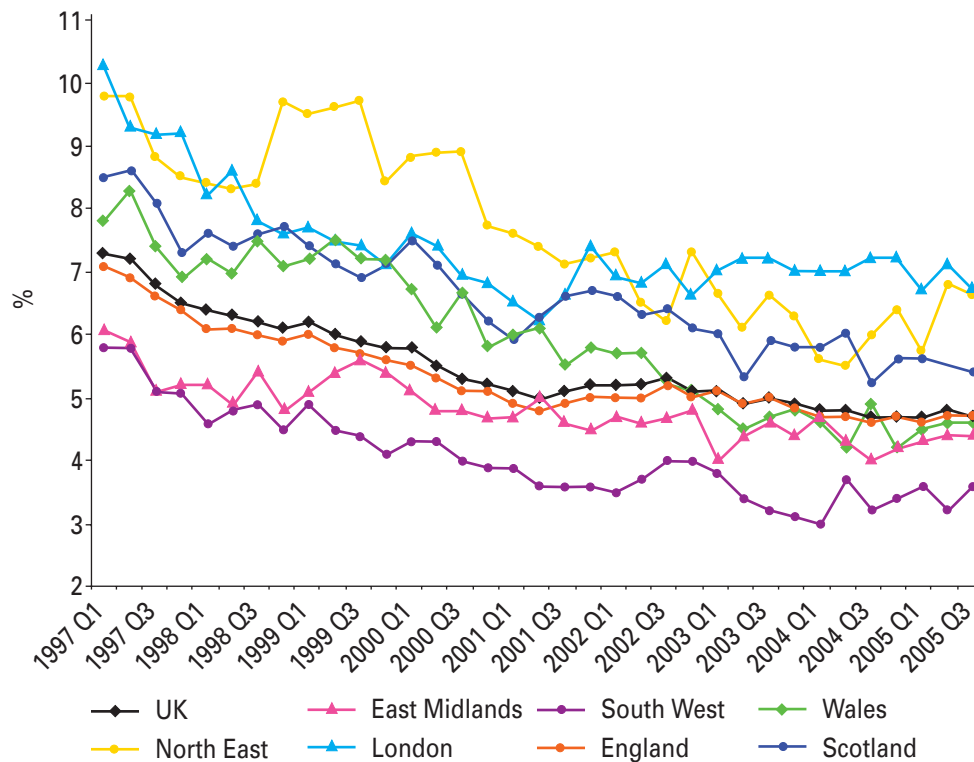
Source: Labour Force Survey, Office for National Statistics.

Figure 10 Total number of unemployment benefit claimants as a percentage of the total workforce
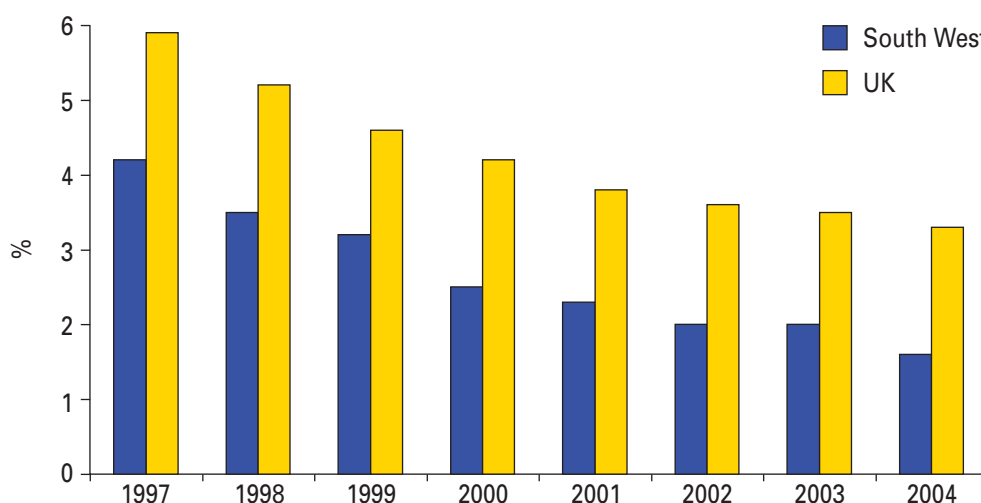
Source: Office for National Statistics.

One measure on which the South West has been underperforming is GVA per head, being 7 per cent below the UK average in 2003 (£15,038 compared to £16,383) (Figure 11). However, there are marked disparities in productivity throughout the South West, with the GVA per head in 2003 varying from 151 per cent of the national average in Swindon to 64 per cent in Cornwall. In fact, Cornwall and the Isles of Scilly have the lowest productivity of all UK sub-regions. Research conducted for SWRDA (the South West Regional Development Agency) indicates that the region's relatively low productivity is explained by a combination of factors, including low capital/labour ratios (reflecting in part the more labour-intensive sectors such as tourism and the care industry found in the coastal areas), weaknesses in basic and high skills development and use, and the travel time of many locations (i.e. particularly on the south west peninsular) from key economic hubs, thereby affecting access to consumer markets and knowledge networks (SWRDA, 2006a).

Figure 11 Regional GVA per head
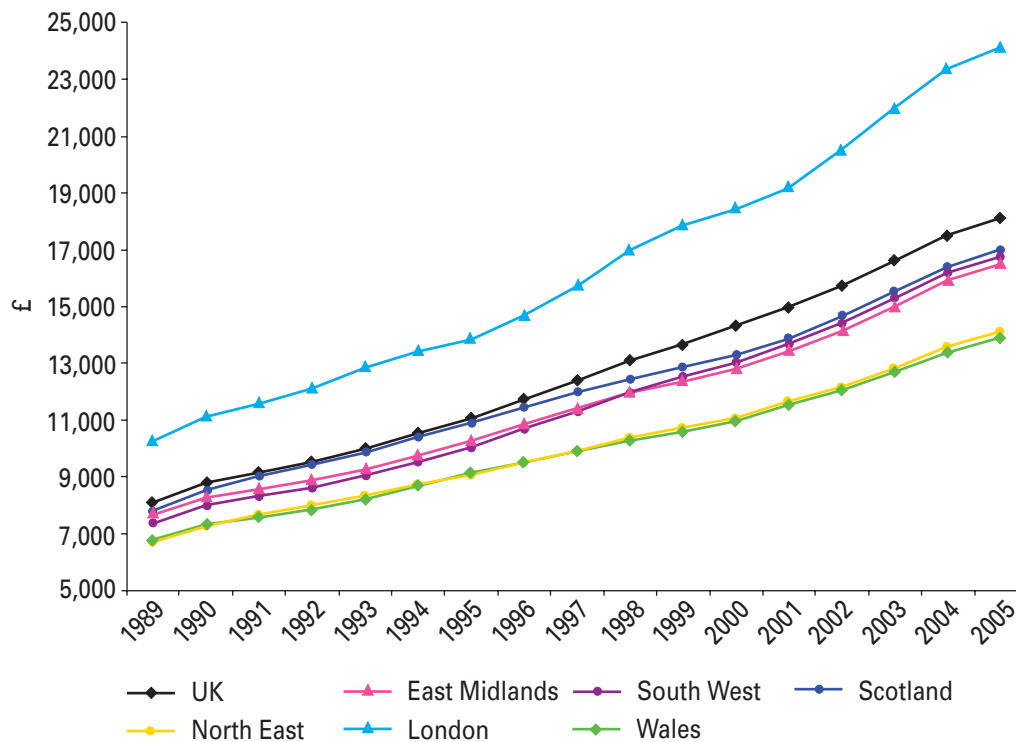
Source: Office for National Statistics.

The economic and social transformation of the South West is posing a number of challenges, of which the following two relate particularly to those living within the most deprived localities within the region.

- ■ *Population growth*: the South West has been experiencing the fastest population growth within the UK since 1981 (12.8 per cent compared to 4.9 per cent) and is projected to grow by a further half a million by 2016. Moreover, population net in-migration has been the main source of growth, but this is leading to a change in the region's demographic structure, resulting in the South West having the oldest age profile of all the English regions. Over three-quarters of the population growth has been occurring in local authority areas classified as 'rural' or 'significantly rural' (South West Observatory, 2006). A high proportion of the in-migrants comprise retirees (including retirees of working age), many of them fairly affluent, which is a key factor leading to the region's high house price–income ratio, reaching 8:1 in some parts of the region. This is leading to increasing polarisation between the equity rich on the one hand who are buying up properties and those on low incomes who cannot afford to get onto the property ladder on the other. Research has shown that more than two-thirds of households in the South West are unable to afford even the average price of the cheapest 25 per cent of houses (SWRA, 2004).

■ *Low wages and low skills*: there is a steep east–west gradient in wage levels, which relates to the types of jobs and skill levels in different parts of the region. Whereas the Swindon–Bristol axis (M4 corridor) has an above-average share of jobs in professional and managerial occupations and in high-tech sectors, the more rural and peripheral parts of the region are overly dependent on declining land-based sectors and low value added sectors such as tourism and the care industry. Average disposable household income in Cornwall was only 91 per cent of that in the South West as a whole in 2003 (South West Observatory, 2006). Moreover, average employee earnings in the South West were 88 per cent of the England average in 2004 (South West Observatory, 2006) (see Figure 12).

From a regional standpoint, the key issue relating to employment is seen as one of low wages, low productivity and seasonal working, rather than one of high levels of unemployment and worklessness. According to several interviewees in Cornwall, much of the employment in small businesses does not rise above minimum wage levels, with the owners sometimes receiving less than this in relation to the hours worked. Moreover, wage levels are being driven down in some parts of the region (notably West Cornwall) by an influx of migrant workers from the new accession states in the EU who are taking up employment in the horticulture, tourism and leisure sectors. According to the South West TUC (2005), the region is being held back by its low-wage/low-skill balance, whereas the economic development of the region needs to be based on promoting better quality employment rather than any type of jobs. In part, this involves raising skill levels within the region, as it has the

Figure 12 Average gross weekly earnings for full-time male and female employees
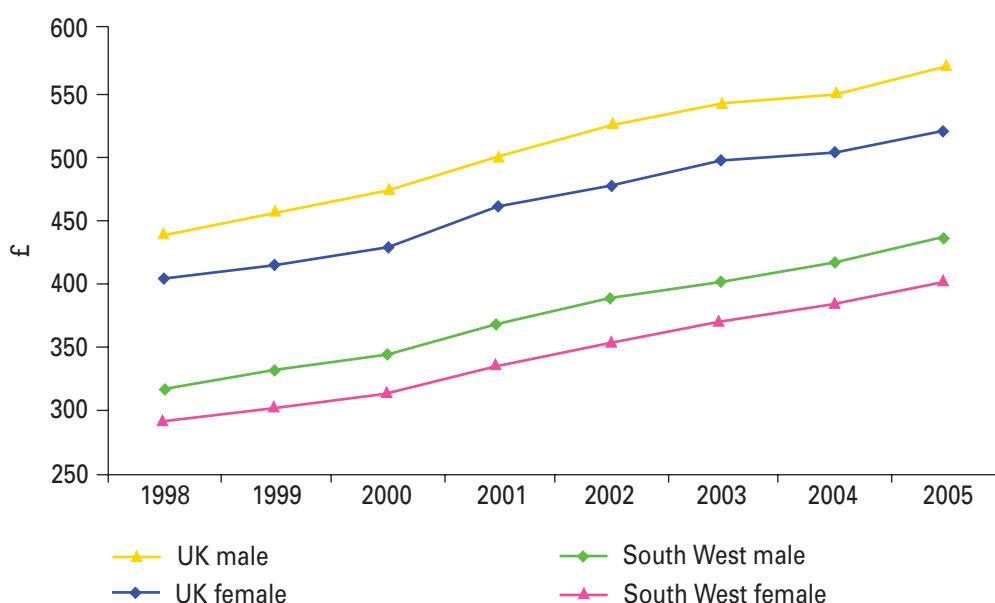
Source: Labour Force Survey, Office for National Statistics.

lowest level of basic skills achievement measured against national targets (South West Observatory, 2004) despite also being the region with the third highest proportion of working-age residents having qualifications at degree level or above.

Inequality and deprivation

A competitive region, but with pockets of deprivation

As shown above, the economic success of the South West region has not reached all parts, with the overall level of economic prosperity tending to mask marked inequalities. In fact, the intra-regional disparities in the South West are greater than in most other English regions, with the region including some of the most and least deprived Super Output Areas (SOAs) in England.

Most of the regional strategies draw attention to the major disparities in economic prosperity throughout the region. For example, to quote from the Integrated Regional Strategy (IRS):

> … there are complex patterns of inequality existing in the region at many different spatial scales … examples at the regional scale include the significant east-west variations in wage levels, in prosperity and in the reporting of health … examples at the local level include the stark contrasts between the wealth and poverty in many of the region's cities, and many persistent, although often hidden, pockets of rural deprivation. (SWRA, 2004, p. 24)

Just 3 per cent of SOAs within the South West region are in the most deprived 10 per cent of SOAs nationally (Figure 13). In this respect, the South West differs from regions like the North East where deprivation is much more widespread (21 per cent of SOAs being in the worst 10 per cent nationally). Whereas, in the North East, it could be argued that tackling deprivation is to a large extent conditional on being able to improve the region's economic performance as a whole, the example of the South West shows that a strong economic performance by itself is not sufficient to bring about improvements for those living in the most deprived areas and communities. Figure 14 is a map of the Index of Multiple Deprivation (IMD) within the South West and shows the concentrated pockets of deprivation, notably within Bristol where 14 per cent of SOAs are within the 10 per cent most deprived nationally and Plymouth where the equivalent figure is 12 per cent. West Cornwall is another concentration, with 18 per cent of SOAs falling within the 20 per cent most deprived nationally. It is also worth noting that, in comparison to other regions, the South West scores

particularly poorly on the 'geographical barriers to housing and services sub-domain', with 30.8 per cent of the region's SOAs in the most deprived 20 per cent nationally (South West Observatory, 2004). This reflects the sparse population density in many parts of the region, the difficulties of providing services and problems of housing affordability.

Within the most deprived parts of the region, there are high rates of economic inactivity among the working-age population and the need to tackle worklessness is being prioritised, as for example in the Local Area Agreement for Cornwall. Thus, while registered job-seekers made up only 2.1 per cent of the county's working-age population (in February 2005), 13.2 per cent were economically inactive (39,600 people) and this rises to 14.4 per cent and 16.8 per cent in two districts of West Cornwall (Kerrier and Penwith respectively), the majority of whom are on sickness and incapacity benefits. The current demand for labour in the county far outweighs the supply of 'job-ready' individuals, with Jobcentre Plus handling 25,000 to 35,000 vacancies per year. In the words of the Cornwall Local Area Agreement Delivery Plan (2005):

> … failure to tackle worklessness in the county will result in further polarisation and increased social exclusion.

Figure 13 Percentage of SOAs in the most deprived 10 per cent and 20 per cent of SOAs in England
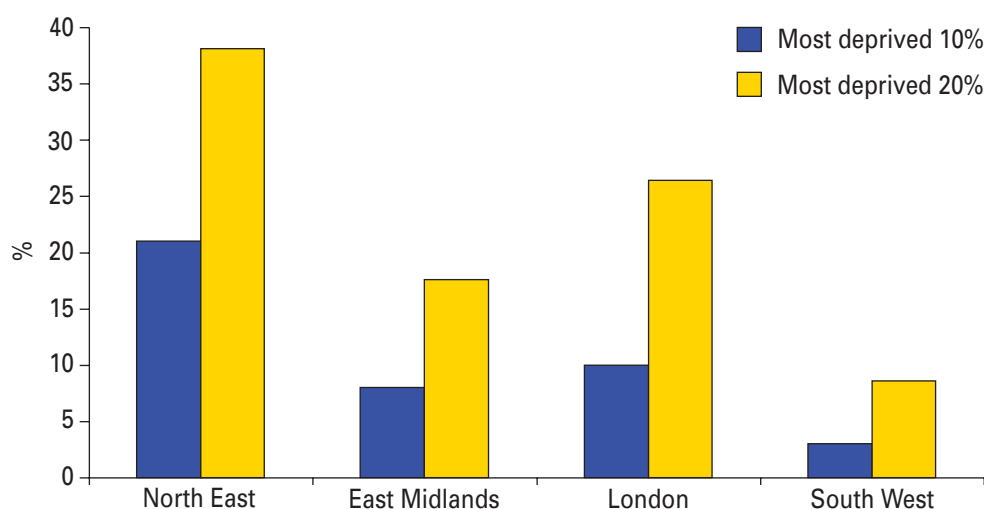
IDM 2004 by region.
Source: ODPM.

Figure 14 South West Index of Multiple Deprivation 2004
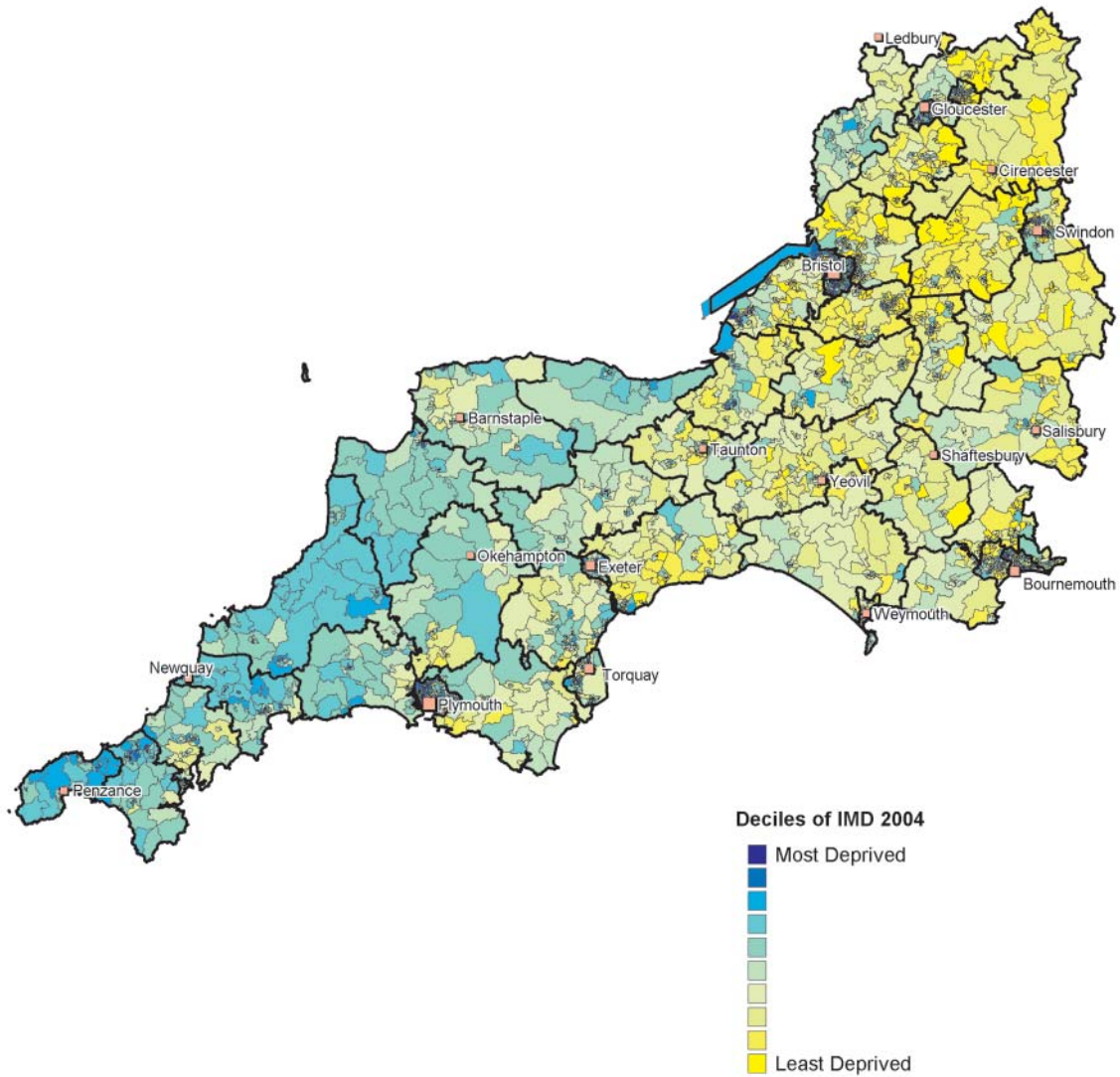
Deciles of IMD 2004

Most Deprived

Least Deprived

Scale 1:1 570 000

Source: DCLG.

Spending on deprived areas

In recent years, some major changes have occurred in the nature and scale of the various funding streams that can be tapped for the regeneration of deprived areas. From 1995/96 until 2000/01, the South West received £171 million from the Single Regeneration Budget (SRB), which helped fund 74 area-based regeneration schemes. There are now just 14 SRB schemes still running within the region with a budget of £12 million, which finished in March 2007. From 2001, the SRB became transmuted into the SWRDA's Single Programme and, as such, changed from funding a broad range of regeneration projects to funding a more restricted range of projects that are consistent with the SWRDA's regional economic strategy. The New Deal for Communities programme provides £100 million over a ten-year period for community-led regeneration schemes in Bristol ('Community at Heart') and Plymouth ('Devonport People's Dreams'). And, from 2001 to 2006, the Neighbourhood Renewal Fund allocated £40 million to five local authorities in the region with a further £32 million allocated for the next two years (Table 2).

However, this central government funding for regeneration programmes has been more than matched by the EU funding that the region has attracted, with £600 million being made available for the 2000 to 2006 period. Of this, around half has gone to fund economic development in Cornwall and the Isles of Scilly, as a result of its Objective One status, and £133 million to other areas (mainly in Bristol, Plymouth and rural Devon), which attained Objective Two status. Cornwall is also to receive a further £270 million of Structural Funds for the 2007–13 period as a result of being given Convergence Programme status (i.e. the economic regeneration programmes that replace the Objective One programme).

Table 2 Neighbourhood Renewal Fund, South West allocations

Local authority	Total allocation 2001–06 (£m)	Total allocation 2006–07 (£)	Total allocation 2007–08 (£)
Bristol	18.699	7,895,490	8,261,490
Kerrier	7.548	1,073,659	536,829
Penwith	3.886	1,413,000	1,516,000
Plymouth	9.911	3,806,325	4,471,708
North Somerset	–	1,383,000	1,646,000
South West	*40.044*	*15,571,474*	*16,432,027*

Source: http://www.gosw.gov.uk/gosw.

From the data available, it is impossible to tell how much of SWRDA's recent spending has been targeted at the most deprived areas within the region, since the published expenditure data is presented according to a number of key themes (Table 3). SWRDA does have programmes that are targeted at deprived communities, such as its 'Building Communities' programme focused on deprived urban communities, but it is not clear what the level of spending has been. More generally, it is also unclear to what extent mainstream public spending within the region is being bent towards the most deprived areas.

Table 3 Analysis of SWRDA expenditure by key theme 2003–05

Expenditure	2004/05 (£'000)	2003/04 (£'000)	2004/05 ratio (%)	2003/04 ratio (%)
Business growth	31,487	27,925	26	22
Innovation	8,511	5,729	7	5
Investment promotion	3,676	7,130	3	6
Participation	558	781	0	1
Policy and partnership	2,351	3,317	2	3
Regional infrastructure	8,477	4,379	7	3
Regional projects	13,071	9,174	11	7
Rural economy	11,493	12,179	9	10
Sites and premises	8,958	8,540	7	7
Skills and learning	9,328	8,223	8	7
Urban renaissance	24,009	38,281	20	30
Total expenditure	*121,919*	*125,658*	*100*	*100*

Source: SWRDA Annual Report and Accounts 2004/05.

Governance

Figure 15 maps out the multilevel governance structure in the South West relating to economic development and the regeneration of deprived areas.

Figure 15 Economic governance structure: South West region
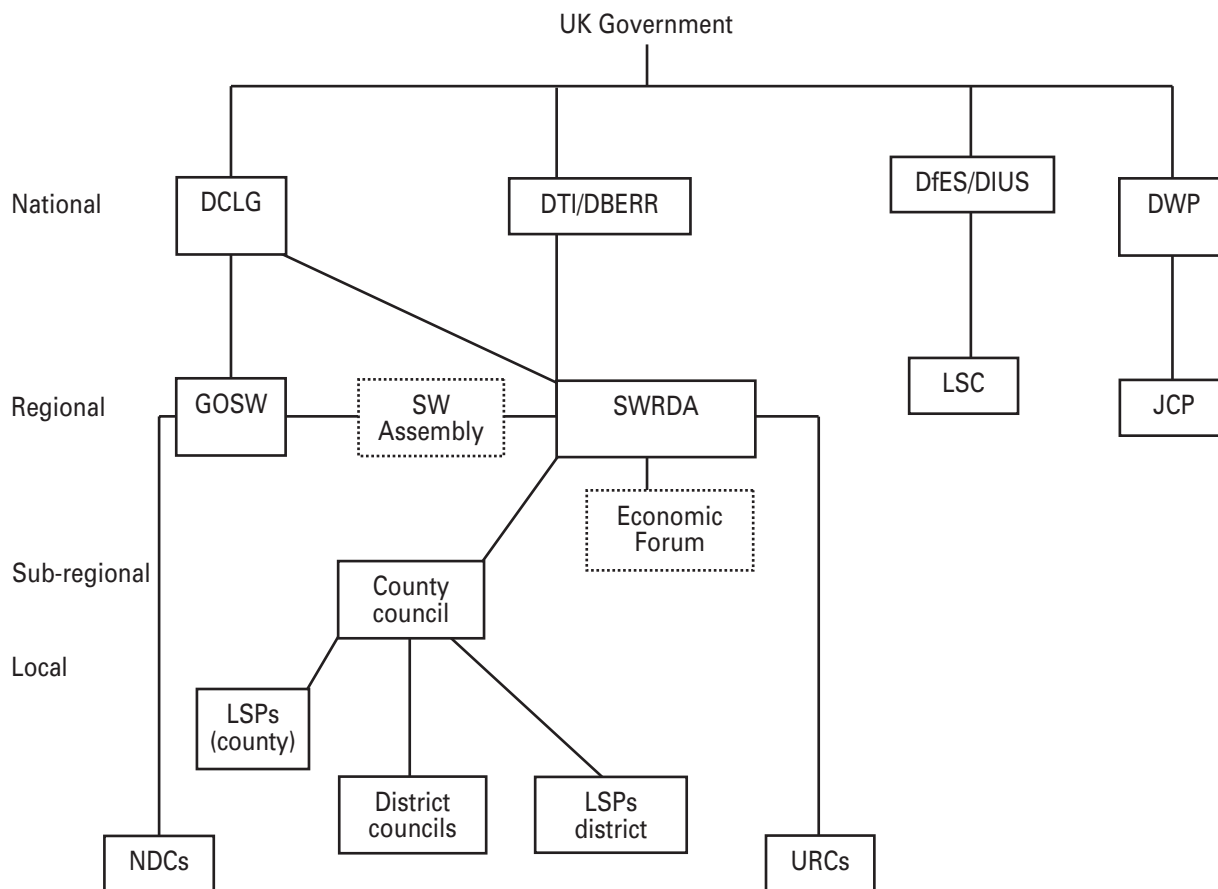
UK Government

National

DCLG   DTI/DBERR   DfES/DIUS   DWP

Regional

GOSW   SW Assembly   SWRDA   LSC   JCP

Economic Forum

Sub-regional

County council

Local

LSPs (county)

District councils   LSPs district

NDCs   URCs

DCLG	Department for Communities and Local Government
DfES/DIUS	Department for Education and Skills (now Department of Innovation, Universities and Skills)
DTI/DBERR	Department for Trade and Industry (now Department for Business Enterprise and Regulatory Reform)
DWP	Department for Work and Pensions
GOSW	Government Office for the South West
JCP	Jobcentre Plus
LSC	Learning and Skills Council
LSP	Local Strategic Partnership
NDC	New Deal for Communities
URC	Urban Regeneration Company

Note: in single-tier areas, unitary councils replace and combine the functions of district and county councils.

Regional level

The South West of England Regional Development Agency (SWRDA) was set up in April 1999 and, along with the RDAs in the other English regions, was given statutory responsibility to stimulate economic development, promote business efficiency, promote employment, enhance skills relevant to the region and contribute to the achievement of sustainable development. In its early years, SWRDA focused its activities on a limited number of major capital funded regeneration and physical development projects. However, since 2003, the RDA board has sought to broaden its economic development role to include innovation, skills and entrepreneurship (National Audit Office, 2006). SWRDA has a staff of around 280 based in five offices throughout the region and a budget in 2005/06 of £194 million. The board members cover a range of interests, including local authorities, trade unions, the community enterprise sector, sustainable development, the higher education sector and private businesses. In order to strengthen the voice of the voluntary sector at the regional level, SWRDA has supported the formation of the South West Forum as a focal point for the sector in the region.

The Government Office for the South West (GOSW) is responsible for a range of central government functions and programmes in the region, including housing, transport and regeneration. It has responsibility for the management of the Neighbourhood Renewal Fund programme and also primary responsibility for the EU Structural Funds programmes in the region. The relationship between GOSW and SWRDA centres around the 'tasking framework', which is concerned with how the Government's various Public Service Agreement (PSA) targets are interpreted in the regional context and are being delivered in SWRDA's Corporate Plan. These include targets relating to the region's most deprived areas and lagging rural districts. For example, current targets that have been built into SWRDA's 2006–09 Corporate Delivery Plan include to reduce the:

1   shortfall in business formation between the most and least disadvantaged wards by 1 per cent per annum

2   number of unemployed claimants in the region's 96 most deprived wards by 5 per cent

3   number of adults in income support households by 2 per cent in the region's most deprived 96 wards.

The South West Regional Assembly (SWRA) has 117 members, comprising mainly elected councillors from across the region as well as representatives from business, trade unions, the voluntary sector and environmental interests. It meets three times per year, although much of its work takes place in various advisory groups (such as those relating to spatial planning, transport and the environment). SWRA originally adopted a 'select committee' approach to scrutinising the work of SWRDA, but it has now moved to a more thematic and less adversarial approach involving workshops with partner organisations and bilateral discussions with SWRDA. Apart from the topic of 'rural renaissance', there appears to have been little consideration to date of deprivation and social regeneration, the other topics covered being broadband, tourism and business development. According to the interviewee from SWRA, the influence that the Assembly has within the region has been adversely affected by the 'no' vote in the North East, as there are now more uncertainties about its role and purpose within the region. The debate over city regions is also proving another source of uncertainty.

Sub-regional level

Unlike some other RDAs, SWRDA has not adopted a sub-regional model of operation and funding allocation, preferring instead to distribute spending through its main programmes, such as Rural Renaissance, the Market and Coastal Towns Initiative and the Building Communities Initiative. However, since 1999, county-based sub-regional partnerships (SRPs) have existed in order to create a sub-regional interface with SWRDA and to facilitate partnership working at the county and unitary authority scale throughout the region. Several interviewees described sub-regional governance throughout the South West as being a confusing set of governance arrangements and uneven in terms of its organisation and effectiveness. From a regional perspective, Cornwall is seen as having a strong identity and a recent history of effective partnership working, helped by its Objective One status. In contrast, Devon is viewed as being divided politically between the interests of the rural districts on the one hand and the urban priorities of Plymouth and Torbay on the other. In place of the former Avon County, there are four unitary authorities of unequal size, resulting in a tendency for the political muscle of Bristol to dominate the agenda.

Regional strategies and deprived localities

Economic development strategy

In all three iterations of SWRDA's regional economic strategy (RES), tackling social exclusion has been one of three strategic objectives, with the original RES produced in 2000 stating that it is 'right, therefore that one of the (three) Strategic Objectives should focus on tackling the causes and effects of social and economic exclusion' (SWRDA 2000, p. 9). However, by the RDA's own admission, very little has been achieved, as in the latest revised strategy there is a candid appraisal of the lack of success in terms of reducing spatial and social inequalities:

> Despite considerable investment, we have had little impact in addressing the fundamental issues that affect the region's deprived communities. We need to develop innovative and effective solutions that tackle their structural weaknesses and link these communities with more successful areas.
> (SWRDA, 2006b, p. 30)

In the revised RES, added emphasis has been given to the achievement of strong and inclusive communities, particularly through improving economic participation and reducing the level of economic inactivity, and focusing on the regeneration of the most disadvantaged areas including 'developing comprehensive and tailored packages of enterprise and employment support for disadvantaged areas and communities'. In terms of its intentions, the latest RES is more explicit than were previous iterations about the strategy's role as a framework for the regeneration and renewal of the most deprived areas within the South West; to quote:

> … the South West needs to support local partnerships to focus on the critical issues facing the region's most disadvantaged communities to ensure that these areas are able to develop sustainable futures … we will seek to (i) support areas with the greatest concentrations of multiple deprivation, and (ii) support the communities of greatest need in rural areas.
> (SWRDA, 2006b, p. 32)

Several interviewees commented that SWRDA appears to be 'moving in the right direction' with regards to wanting to tackle the problems facing the most deprived localities within the region, but the test will be whether the intentions laid down in the strategy are translated into detailed actions on the ground.

Other regional strategies

Because of the increasing number of strategies covering the South West region (claimed to be more than 20), the South West Regional Assembly (SWRA) has produced an Integrated Regional Strategy (IRS), 'Just Connect', which is intended as a reference point for future strategy development as well as an attempt to integrate the work of different regional level organisations (SWRA, 2004). While the IRS has been endorsed by key regional bodies, including SWRDA and GOSW, it is in the words of one interviewee 'hamstrung by uncertainties over the future role of the Assembly and by its lack of executive power.' One of the five key aims of the IRS is 'to address deprivation and disadvantage to reduce significant intra-regional inequalities'. This translates into the following three objectives:

> (i) to support those parts of the region that are in need; (ii) to ensure that resources are targeted at those areas; and (iii) to ensure that policy and delivery actively seek to reduce inequality in the region on a variety of different measures integrating social, economic and environmental factors.
> (SWRA, 2004)

Sub-regional strategies

There are now a number of county-level economic strategies. For example, the Cornwall Economic Forum's Strategy aims to translate the priorities identified in the RES into a local context and its ten priorities are very much concerned with improvements in the economic infrastructure of the sub-region (e.g. via improvements in the strategic transport infrastructure, the ICT infrastructure and the provision of employment space) and a business-led approach to economic development (e.g. via the development of emerging clusters of businesses, support for businesses with high growth potential and the development of local supply chains). There is relatively little consideration in the strategy of the distribution of the benefits of these priorities, the assumption being that solutions to social exclusion within the sub-region depend on raising income levels, which in turn depend on achieving 'sustainable' economic growth. The strategy is currently being reviewed and updated to cover the 2006–21 period, to align it with the revised RES and to shape the plans for the delivery of the EU Convergence Programme in Cornwall from 2007 onwards.

Key issues, challenges and barriers

Linking economic growth and social exclusion

One of the issues at the heart of this research is the extent to which a linkage is being forged between the economic and social aspects of regeneration at various levels of governance within each study region. With respect to SWRDA, most interviewees perceive the RDA as being heavily oriented towards economic development and business led, with resources concentrated on a number of high-profile 'flagship' projects, especially major capital/property investment schemes such as the Eden Project, the Combined Universities of Cornwall and the Bristol Arena. This is seen by some as reflecting the agendas of many of the 'regeneration professionals' working in the RDA. Unlike some other RDAs, SWRDA does not have a dedicated social inclusion team, as it prefers to treat 'inclusion' as a cross-cutting theme. To this end, it has appointed several community facilitators to work alongside its area development teams. Overall, SWRDA sees itself as focused primarily on economic development, with social regeneration being one of the primary concerns of the Government Office for the South West (GOSW).

Having said this, however, SWRDA's Market and Coastal Towns (MCT) Initiative does strive to integrate economic and social regeneration by focusing on the problems facing disadvantaged rural communities within the region. Launched in 2002, the initiative focuses on settlements with a population of between 2,000 and 25,000 people that are judged to be economically vulnerable because of the decline of their traditional industries and sources of employment. Initially, funding was provided to assist the selected towns to draw up their own community strategic plans. After piloting the initiative on six towns, 64 towns in the region are now part of the initiative and, as such, are members of the recently formed MCT Association. SWRDA has now ring-fenced £15 million to support the implementation of the plans and is also helping local communities broker deals with investors. The interviewee from the MCT Association described the initiative as being essentially concerned with community capacity building, based on the Government's concept of sustainable communities, and with integrating the economic, social and environmental aspects of regeneration.

For SWRDA and other organisations with a clear economic development focus, the answer to the problems of low wages and low skills found in the disadvantaged sub-regions such as Cornwall is to transform the region into a 'knowledge economy', based on high skilled, high value added sectors. Yet others caution against focusing solely on this, pointing out that the bulk of employment in these areas will continue to be in labour-intensive sectors, especially those related to tourism, hospitality, care

and public services. There is also evidence to indicate that many of the better-paid jobs in inward investment projects end up being filled by in-migrants rather than the indigenous workforce. For example, Cornwall Enterprise (CE) has attracted 20 businesses to the county since it was established in 1999. Several of them are in the IT sector and most of them have brought their key workers with them. According to the interviewee from CE, whereas previously employees had been reluctant to move to what was seen as a low-price housing area because of a concern about being unable to afford to return to regions such as London and the South East, there is far less reluctance now that house prices in Cornwall have increased substantially. Other interviewees were concerned that the process of filling the more skilled jobs through in-migration is in itself having adverse consequences for the indigenous population by pushing up housing and other living costs further still.

There is also the issue within labour market policy of the relative emphasis placed on demand-side compared with supply-side initiatives. Within Cornwall, there has been a shift towards a more demand-led approach to training and skills development focused on a number of sector networks. The Cornwall Economic Forum's Workforce Development Group is currently working with employers to develop a number of sector networks (ICT, tourism, land-based industries, construction, manufacturing, creative industries, early years and marine engineering). The marine network is the most developed, comprising 130 businesses. The concept is one of demand-level training rather than buying 'off-the shelf' packages, in which the businesses themselves 'own' the project and buy training from colleges and other training providers. At the same time, however, there is also the developing concept of 'routeways to work' in key and priority sectors, including hospitality, construction and care (including childcare), aimed at bringing those who are out of work into employment. In recent years, Jobcentre Plus (JCP) has been pursuing several supply-side initiatives focused on helping the unemployed gain access to the labour market. In particular, Cornwall Action Team for Jobs, which started in 2000, has been a £2.1 million programme focused on 30 of the most deprived wards within the county. Several interviewees singled this out as being a particularly innovative and flexible initiative, which is adaptable to local circumstances – in fact the interviewed JCP manager described it as 'the best programme ever', also expressing considerable regret and dismay about its termination in March 2006.

It is at the local level that the assumptions about the wisdom of 'trickle down' are most vehemently questioned and the need to intervene in order to try to ensure that the benefits of economic regeneration reach the disadvantaged is increasingly recognised. A particular example here is Camborne, Pool, Redruth (CPR) Regeneration (the Urban Regeneration Company in West Cornwall) where the need for a more 'people-based' approach to regeneration, linking economic

development and community regeneration, has been accepted from the start. As well as community participation in producing the various area plans, steps have been taken via the CPR Works initiative (see Volume 3, Chapter 2) to ensure that local people benefit from the new jobs that are being created rather than leaking out to commuters and in-migrants from outside the local economy. This includes researching the skill needs of local businesses and auditing the skills within the local working population. With around 4,000 construction jobs expected to be created over the next few years, training courses are now being put in place to provide local people with the skills that will help them compete for them. The CPR Works initiative involves close partnership working between those organisations involved in different aspects of the local labour market, including CPR Regeneration, the local authorities and JCP.

Governance and partnership

Horizontal integration of policies

At the regional level, there has been a growing acceptance of the need for better joined-up strategy thinking and implementation between organisations, and a number of steps have been taken to try to achieve a closer integration between them. For example, according to interviewed representatives of regional-level organisations, there is now closer joint working between the SWRDA and GOSW than previously, with frequent officer-level meetings concerned with trying to dovetail the RDA's economic development projects with GOSW's primary focus on the social aspects. Mention has already been made (in the section on the regional economic strategy above) of the Integrated Regional Strategy produced by the South West Regional Assembly in 2004 'to inspire and encourage cross-sector dialogue and action and promote better regional working'. The IRS focuses on five high-level aims for the 2004–26 period, concerning the implications of population growth; environmental quality and diversity; economic prosperity and quality of employment opportunities; addressing deprivation and disadvantage to reduce intra-regional disparities; and social inclusion and equal opportunity. The intention is to translate the strategy into a delivery plan, 'Now Connecting', which identifies the suite of policies and regional organisations and partnerships responsible for implementing different aspects of the IRS, with the aim of encouraging joint working to tackle a commonality of concerns.

Another example of the efforts to improve partnership working and relationships between regional organisations, especially the voluntary and community sector and public-sector organisations, is the South West Regional Compact. This is modelled on the national compact between the two sectors that the Government produced

in 1998 and provides a basic framework of principles, values and commitments for specific working agreements that these relationships are based on. It involves five public-sector organisations (SWRDA, SWRA, GOSW, the SW Local Government Association and the Countryside Agency) and two regional level bodies representing the voluntary and community sector (the South West Forum and Black South West Network).

Within Cornwall also, it was the view of several of the interviewees that there is effective partnership working. While this may reflect a growing sense of identity within Cornwall and a tacit agreement to work together to tackle what are seen to be some distinctive 'peninsula' issues, obtaining Objective One status and the need to produce and implement an economic development strategy (in the form of the Single Programme Document required by the European Commission) has proved to be an important catalyst. The Cornwall and Isles of Scilly Economic Forum (CEF) is the main organisation, bringing together around three dozen separate organisations in a strategic partnership with the aim of overseeing the preparation of the sub-regional strategy and monitoring its implementation. As such it has become the economic arm of the Cornwall-wide Local Strategic Partnership.

According to the interviewed officer within GOSW (Devon and Cornwall), different organisations are now working together more closely, including more information sharing between them. This is being encouraged by Cornwall's Local Area Agreement, which brings together public, private and voluntary and community organisations, and aims to break down the silos between organisations and achieve greater integration and flexibility in allocating spending. This includes agreement over the target outcomes for reducing worklessness and poverty within Cornwall. However, those who are more closely involved in local partnerships at ground level tend to have a more critical perspective, invariably drawing attention to the various tensions that exist between organisations over wanting to claim credit for target outputs being achieved as well as the inordinate amount of time taken up by partnership meetings.

Vertical integration of policies

While the horizontal integration between governance organisations working at particular scales appears to be reasonably strong, the views of a number of interviewees indicated that the vertical links between the different spatial levels are more tenuous. In terms of the area covered, the South West is the largest of the nine English regions and is arguably less cohesive than several of them. This clearly has important implications for its governance structure and the effectiveness of the

existing governance arrangements. It is rather surprising, for instance, that SWRDA, unlike several other RDAs, has not adopted a sub-regional model of devolving responsibilities and a proportion of its funding to sub-regional partnerships, preferring instead to apportion its spending between different initiatives. The lack of spatial alignment between different organisations operating at the sub-regional scale was identified by several interviewees as resulting in 'disconnection' and frustration, not least for the VCS, given its limited resources and capacity.

It became evident during the interviews that, in the absence of a sub-regional tier, there is a danger of a growing vacuum between the regional and local levels of governance. Thus, at the regional level, SWRDA appears to have little contact with the 51 local authorities within the South West and similarly the SW Regional Assembly has had very little to do with the LSPs. And, from the local level, SWRDA and SWRA tend to be seen as being remote and removed from the issues being dealt with on the ground. As one interviewee commented, 'there are too many regional and sub-regional silos and very little joining up between them'. Moreover, recent cuts in resources including staffing levels are making it more difficult for organisations operating at the sub-regional scale to link up with those operating at the local scale. For example, at the time of interviewing in late 2005, the staffing of Cornwall's LSC was being cut from 18 to eight, such that any involvement with the district-level LSPs throughout the county would become impossible to resource in the future.

The sub-regional scale is arguably the best spatial scale for bringing together those policies concerned with the demand-side and supply-side agendas, since labour markets largely operate at this scale. The current interest in city regions at the national level also reflects a growing recognition that many relationships involving businesses and people function at this scale, making this the most appropriate scale for policies concerned with economic development, skills and training, and transport. Yet this is the scale of policymaking that has been the most underdeveloped in the case of the South West region, although functional areas focused on key towns and cities in the region form the basis of the regional spatial strategy being drawn up by SWRA. The sub-regional scale also provides the best chance of joining up those agencies and policy initiatives operating at the local and neighbourhood scales concerned with tackling the problems of economic and social exclusion with those operating at the regional and sub-regional scales that are concerned primarily with the economic growth and competitiveness agenda. It is also the most appropriate scale for achieving effective co-ordination and integration between those responsible for strategy development and those responsible for making policy work at the local and neighbourhood scales. For these reasons, being able to effectively address the economic needs of deprived localities in the South West requires stronger and better co-ordinated policies at the sub-regional scale than exist at present.

Funding restructuring and community development

Various concerns became evident during the interviews about cuts in funding on the one hand and the difficulties of accessing various funding streams on the other. Those working at the local level expressed mounting concern about the future funding of regeneration programmes and projects in the most deprived communities as a result of recent changes in funding streams and the uncertainty (at the time of interviewing in 2005) about the future level of EU funding in the SW region. Voluntary and community sector (VCS) organisations in particular complained of being adversely affected by the replacement of the Single Regeneration Budget (SRB) by the Single Programme – in the words of one interviewee 'everyone is asking where's the money gone to and why it is so difficult to access it'.

Considerable disillusionment was also in evidence among VCS organisations about the difficulties of accessing EU Structural Funds. This reflected partly the difficulties of finding suitable sources of matched funding (particularly with the phasing out of the SRB, as well as other budgets, such as those of Jobcentre Plus, being squeezed) and partly what was seen as the rather strict interpretation by the funding gatekeepers in GOSW of what constitutes 'community economic development'. Several interviewees said their organisations had struggled to access EU funding, being turned down mainly because their aspirations to build up the skill base and capacities of local communities were seen as being insufficiently focused on economic development. Others said that their expectations had been raised by the granting of Objective One status to Cornwall, but that they soon became disillusioned once the difficulties of accessing the funds became clear. As a result, whereas most of the funding to other priorities was now committed, much of the funding allocated to community regeneration (under Priority 4) remained uncommitted (at the time of the interviews). To quote one interviewee from an LSP:

> Objective One has been used mainly to finance 'the big fancy stuff' – it has been a 'missed opportunity' with regards to funding local economic initiatives.

Over the last few years Jobcentre Plus (JCP) has worked closely with VCS organisations in Cornwall in delivering programmes aimed at the unemployed and economically inactive – in the words of one VCS interviewee:

> JCP has shown both strong vision and autonomy in funding initiatives aimed at improving access to employment for those living in the most deprived communities.

However, recent cuts in the budgets of both JCP and the LSC are threatening the future of some of the initiatives aimed at deprived communities in Cornwall. As one interviewee from the LSC put it:

> The LSC is currently facing tightening budgets, especially for adult training – as a result, a lot of the work in deprived communities is under major threat, especially short courses, which are fundamental to engaging with local communities.

The LSC's local discretionary funds have also suffered substantial cuts in the last year.

Conclusions

In conclusion, we focus on the two main research questions that the first stage of this research project has tried to address.

The first question concerns the impact that regional and sub-regional governance has had on the economic and employment needs of deprived localities within the South West. Compared with some of the other regions and devolved administrations included in this study, the governance structure of the South West has undergone limited changes since 1997, the main development being the creation of the South West of England Regional Development Agency (SWRDA) in 1999. Although tackling the causes of social and economic exclusion within the region has been one of SWRDA's three strategic objectives ever since the original version of the regional economic strategy (RES) in 2000, there is a candid admission in the latest RES (2006) that little has been achieved. This is generally explained by the prioritisation that SWRDA has given to a number of high-profile and large-scale physical development projects in various parts of the region, rather than addressing the needs of the more deprived localities and communities. The geographical spread of the region, spanning seven counties and 51 district authorities, together with the confused governance arrangements at the sub-regional level, are also thought to have contributed to the lack of progress in tackling social and economic exclusion. Nor has the presence of the South West Regional Assembly made a lot of difference, as it has focused on other priorities in its relationship with the RDA. At the regional level, therefore, it has been chiefly the GOSW that has been focusing on deprived localities, through its responsibilities for the Government's regeneration and neighbourhood renewal programmes within the region. It remains to be seen whether the increased emphasis that SWRDA has now given to addressing the needs of the

more disadvantaged parts of the region in the latest version of the RES is followed through in terms of policy actions and delivery. A lot is being expected of some recent initiatives, such as the Market and Coastal Towns Initiative, in terms of involving local communities in the regeneration of their localities.

The second research question involves the degree of compatibility that exists between strategies and policies at the regional and sub-regional levels concerned with economic development and job growth and those at the local and neighbourhood levels concerned with tackling economic and social inclusion. Here our research has concentrated on Cornwall, as the most economically disadvantaged part of the South West, as recognised by its EU Objective One status. To date, there has been little connection between the two. The main thrust of Cornwall's economic development strategy is on transforming Cornwall from a low-wage, low-skill economy to one based on higher value added sectors that will provide better-paid and higher-skilled jobs. Investment in a number of high-profile infrastructure projects and moving towards a demand-led labour strategy are being favoured as the main ways of achieving this. If anything, there has been an implicit assumption that the benefits will reach those living in the most deprived localities of West Cornwall. On the other hand, those working at the neighbourhood scale have been focusing on the multiple causes of deprivation, especially housing, crime reduction and community engagement, and have been critical of the narrow interpretation of what constitutes economic development used in the allocation of European funding. However, there are now signs that more attention is being paid to making the connection between the demand and supply sides, and moving towards a more co-ordinated and integrated approach. At one level this is happening through the Cornwall Local Area Agreement, while at a more local level it is evident in initiatives taken by the Urban Regeneration Company in West Cornwall to try to ensure that physical and economic regeneration are used to tackle the problems of labour market exclusion that local communities are facing.

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Organisations interviewed

South West of England Regional Development Agency – Partnership Manager

South West Regional Assembly – Assistant Director + Policy Adviser

Government Office for the South West – Regional Strategies Directorate

South West TUC – Regional Secretary

South West Forum – Chief Executive

Market and Coastal Towns Association – Chief Executive

Government Office for the South West (Devon and Cornwall) – Assistant Director, Neighbourhood Renewal Unit

Cornwall Enterprise – Chief Executive + Partnership Fund Manager

Devon and Cornwall Learning and Skills Council – Manager for Cornwall

West Cornwall Strategic Partnership – LSP Co-ordinator

Cornwall Neighbourhoods for Change – Chief Executive

West Cornwall VCS Network – Community Development Worker

Cornwall Rural Communities Council – Chief Executive + Community Development Officer

Jobcentre Plus (Cornwall) – European Funding Manager for Devon and Cornwall

Camborne, Pool, Redruth Urban Regeneration Company – Research Manager

3 The East Midlands region

Introduction

The East Midlands region was selected for study for two principal reasons. First, economically, it presents an interesting regional context given that it combines considerable economic dynamism with major problems of area deprivation associated with former coalfield areas, major urban centres and certain rural areas. Second, the East Midlands lacks cohesion as a region in terms of both its geography and its absence of any clear sense of identity. It spreads from a southern area that forms part of the wider South East, to major former coalfield areas in the north, a rural east and a central area with three major cities: Nottingham, Derby and Leicester. This lack of regional cohesiveness and identity presents particular governance challenges, which have led the East Midlands Regional Development Agency (emda) to pursue a more decentralised system from the outset, with a greater emphasis on sub-regions than many other English regions.

This chapter draws on evidence from a combination of sources. Along with official statistics related to measures of economic performance and deprivation, use has been made of a number of recent reports and strategies that relate to the East Midlands. The main source of primary data was a series of interviews conducted in the region in the period February to June 2006. These comprised in-depth, semi-structured, face-to-face and telephone interviews with representatives of organisations involved in issues concerning economic development at the regional level (seven interviews) (e.g. emda, Government Office for East Midlands), at the sub-regional level (three interviews) (e.g. Derby and Derbyshire Economic Partnership, Greater Nottingham Partnership) and at the local and neighbourhood levels (four interviews) (e.g. Nottingham Local Strategic Partnership, Ashfield District Council, Mansfield CVS) (see full list at end of this chapter). In addition a workshop held in October 2006, hosted by East Midlands Development Agency and with a number of representatives of organisations interviewed in attendance, provided an opportunity to discuss preliminary findings and take on board the latest policy developments.

Economic and governance context

Economic challenges

The East Midlands has a population of 4.3 million and experienced an increase of 5.1 per cent over the 1994 to 2004 period, compared with 3.9 per cent in England as a whole. In-migration has been the main component of the region's population growth, accounting for 84 per cent of it compared with an English average of 56 per cent. Much of this growth has been concentrated in the south of the region, especially in Northamptonshire. With 29.5 per cent of its population living in rural settlements, it is the third most rural of the nine English regions.

The dynamism of the East Midlands regional economy is evident from several economic indicators. Whereas GVA per head has been slightly below the UK average (98.5 per cent of the UK average in 2004) (Figure 16), employment rates have remained stable since 1999 and have consistently exceeded the national average, with 75.4 per cent of the working-age population being in employment in 2004 compared to 74.2 per cent in the UK as a whole (Figure 17). The unemployment rate remains below the UK average, at 4.3 per cent in 2004 compared to 4.9 per cent (Figure 18). The rate of enterprise formation, as measured by VAT registrations as a percentage of business stock, is also close to the UK average.

However, a closer examination of the East Midland's regional economy does highlight concerns about its occupational structure, as identified in the analysis undertaken for the latest regional economic strategy (emda, 2006b). In particular, the greater reliance of the region on lower-tier occupations compared with other regions and the relatively low demand for high-skilled workers, combined with high employment rates, is interpreted as an indication that a 'low-pay, low-skills equilibrium' persists in the regional labour market. Moreover, the ready supply of workers with few or no qualifications enables many businesses to adopt a low-cost strategy for achieving competitiveness:

> … the consequence of this is a less productive, less innovative regional economy, employing lower paid, lower skilled workers.
> (emda, 2006b, p. 14)

Figure 16 Regional GVA per head
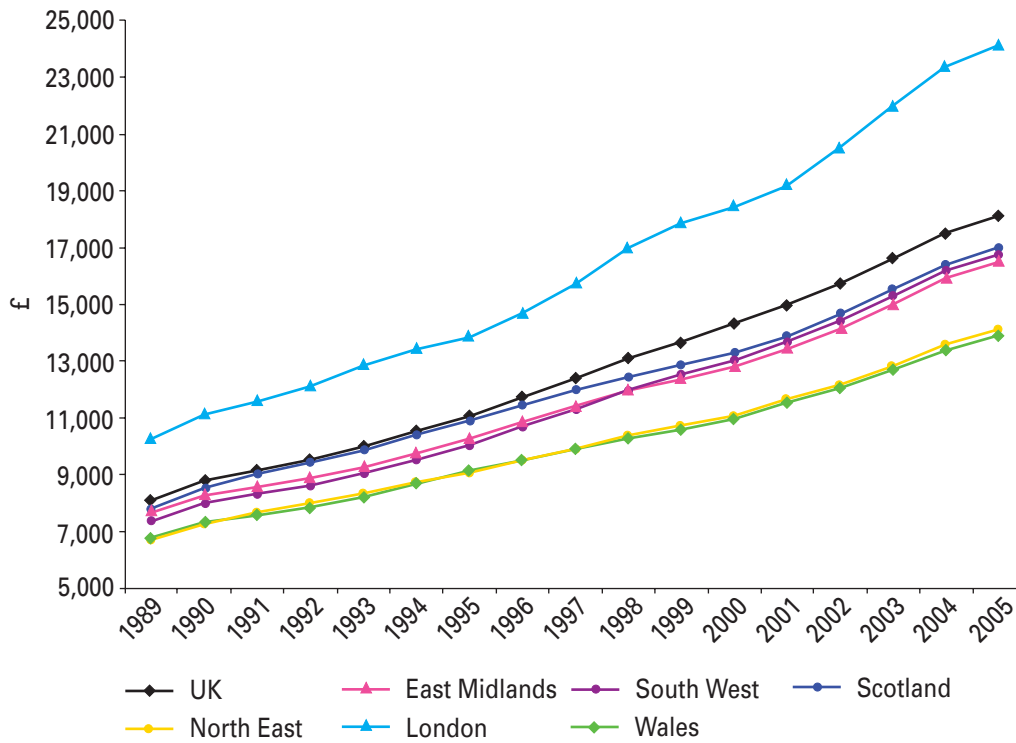
Source: Office for National Statistics.

Figure 17 Employment rate
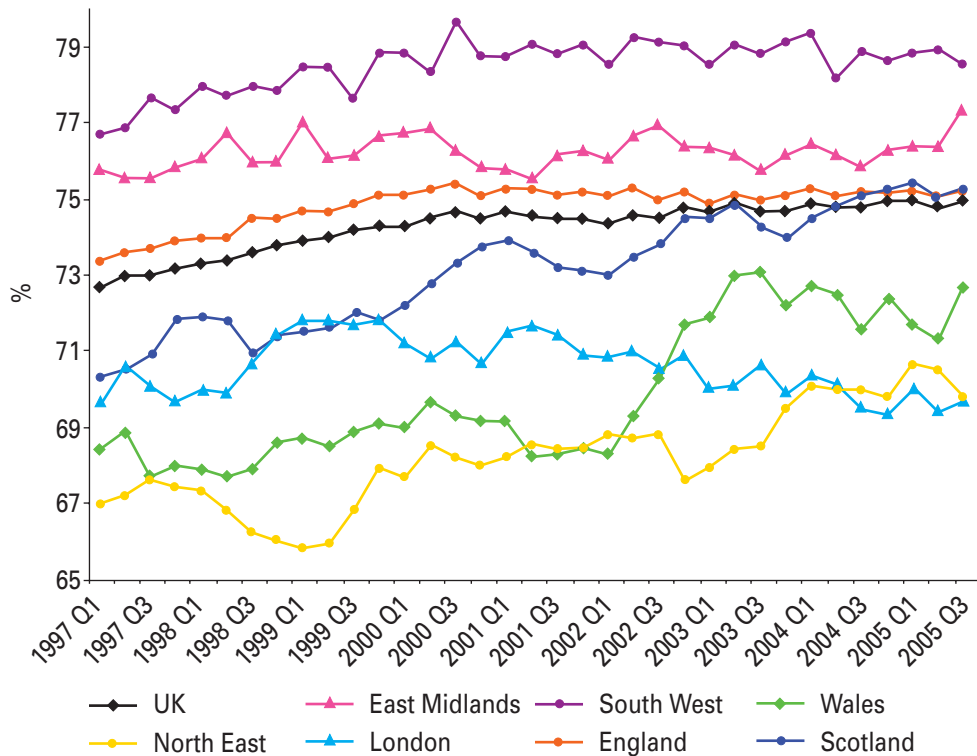
Source: Labour Force Survey, Office for National Statistics.

Figure 18 Unemployment rate
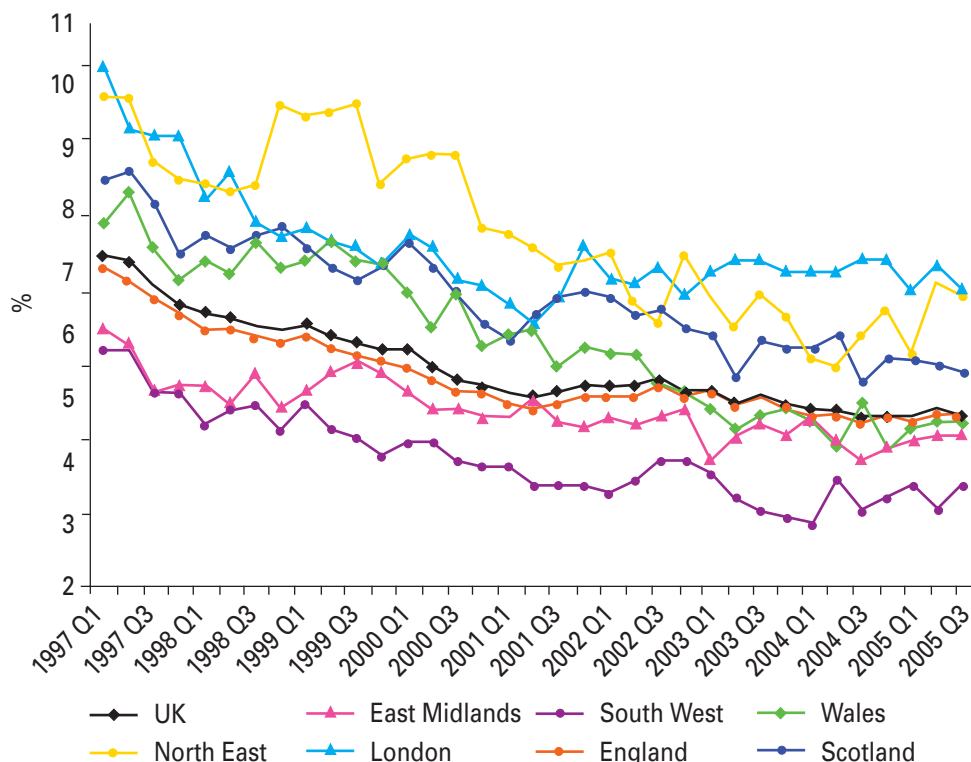
Source: Labour Force Survey, Office for National Statistics.

The current regional economic strategy (RES) (emda, 2006a) has identified a number of challenges for the region, which have a direct or indirect influence on the economic needs of deprived localities. These can be summarised as follows.

- *Globalisation*: the region, as part of an increasingly globalised economy, faces increasing and more intensive competition from growing economies such as China and India, as well as the more knowledge-intensive economies of North America, Europe and Japan. This means that businesses will need to be more innovative and creative. It can be added that internal competition from other regions within the UK is a challenge due to the fact the regional agenda is premised on developing a more competitive region.

- *Productivity gap*: there are limits to increasing productivity through increasing employment given the current relatively high employment rates. There is a need to increase wealth by making labour and the region more productive.

- *Diversifying the economic base*: this will involve developing the service sector and high-value manufacturing industries and creating new innovative businesses.

■ *Enhancing learning, skills and employability*: this means breaking the low-skills, low-pay cycle as well as promoting the upskilling of the workforce and developing the knowledge economy.

■ *The changing age structure of the population*: with the fastest projected growth in pensionable-age population of all the English regions, the region faces increasing demands for social, health and welfare services. This also has implications for the supply of labour and skills in particular areas.

■ *Migration*: there is a trend towards in-migration of retirees into rural areas such as the Peak District.

■ *Reducing intra-regional disparities*: although, on many indicators, the East Midlands does not rank as one of the most deprived regions, it is characterised by areas that are particularly deprived and tackling the problems associated with deprivation will contribute to 'closing the gap between the East Midlands and the UK's leading regions' (emda, 2006a).

■ *The role of urban centres*: the RES recognises that the cities and towns are centres for growth in the region but they do not fulfil their potential. This is hindered by the fact that there are deprived areas characterised by economic and social exclusion.

■ *Renewing rural communities*: this is important in order that prosperity (and therefore avoiding social exclusion) is a key goal for rural as well as urban areas.

Inequality and deprivation

As shown by the Index of Multiple Deprivation 2004 (IMD), there are severe pockets of deprivation in the East Midlands, with the more deprived communities located within urban centres (Derby, Leicester, Lincoln, Nottingham and Northampton), the former coalfield areas of North Derbyshire and North Nottinghamshire and the Lincolnshire coastline and its rural hinterland (Figure 19). The concentrations of deprivation are most severe in Nottingham, with more than 60 per cent of the city's population living in Super Output Areas (SOAs) that are among the most deprived 10 per cent of SOAs nationally.

Figure 19 East Midlands Index of Multiple Deprivation 2004
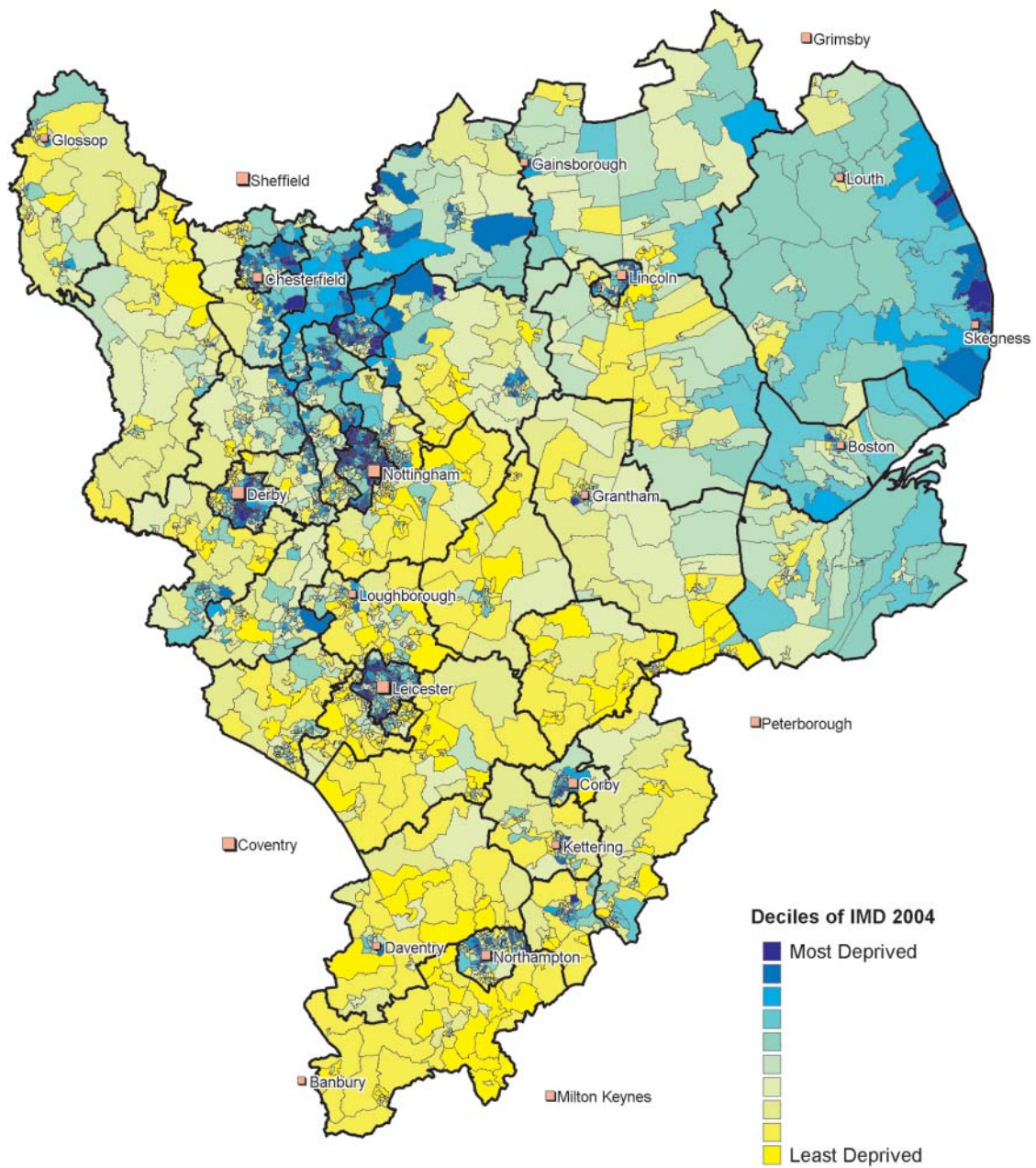
Source: DCLG.

Despite the region's improved economic performance over recent years, there are many places that still have high levels of deprivation and low economic activity. As identified in the RES, disadvantaged areas tend to:

- lack an extensive and diverse enterprise base

- have weak market demand and/or market linkages to other areas

- have a low skills base and low aspirations, particularly among potential entrepreneurs

- be perceived as a poor opportunity for private sector investment

- be sometimes economically marginalised because of physical inaccessibility

- have diverse cultural and industrial heritages

- have poor-quality physical and natural environments

- have higher levels of health inequalities

- have higher levels of crime and more victims of crime, offenders and ex-offenders.

The normal measures of unemployment (e.g. the ILO claimant count) do not fully account for those not in employment and registered as seeking work and claiming benefits (i.e. 'hidden unemployment'). This refers particularly to people on incapacity and other forms of disability benefits. There are 120,000 men and women who are unemployed and who are not included in the unemployment claimant count. In the more prosperous south east of the region, most areas have less than 2 per cent of the working-age population in this category. In the northern districts, in the former coal-mining areas of Mansfield, Bolsover, Chesterfield, Ashfield, Bassetlaw and Newark and Sherwood, this is between 4 and 7 per cent.

The East Midlands is considerably polarised in terms of income and wealth. Nottingham, as the regional capital, is the sixth most prosperous district in the UK (on the basis of GVA) as well as being the seventh most deprived local authority on the Index of Multiple Deprivation. Historically, the city has suffered from a low value added economy using low skills and paying low wages. The city's employment rate was 63.2 per cent in 2004 compared to 75.4 per cent in the region as a whole. The link between educational attainment and deprivation is underlined by the fact that 11 per cent of 11 year olds cannot read their first lesson at secondary school

and Nottingham North sends the fewest number of children to university of any parliamentary constituency in the UK. Yet resident-based earnings in some of the affluent suburban areas are considerably in excess of the regional average.

Barriers to participation and economic inclusion

The evidence base report for the economic strategy (emda, 2006b) identifies the following barriers to economic inclusion.

- *Learning*: adult participation in learning is below average in the East Midlands although this varies among the population. A large number of people possess low-level skills. According to the East Midlands Regional Skills and Productivity Partnership (EMRSPP):

  > There are 448,000 adults without qualifications in the East Midlands. To achieve our target at level 2, 393,247 adults need to achieve a first level 2 qualification by 2010. There are also high numbers of the working age population in the region with only entry level skills in literacy and numeracy, at 421,640 and 1,289,030 respectively.
  > (EMRSPP, 2006)

- *Childcare*: access to childcare has been identified in surveys as a significant barrier to work, particularly among women and lone parents. Both the quality of provision and affordability are seen as key issues. Only 5 per cent of establishments (employers) in the East Midlands provided childcare facilities or helped parents to combine work with family commitments.

- *Work–life balance:* 38 per cent of workers in the East Midlands had some form of flexible working arrangement and many employers offer some form of arrangement (part-time working being the most commonly used).

These barriers are particularly evident with regard to women and minority ethnic groups. Minority ethnic groups generally experience low employment rates, lower participation in learning and work-based learning, and, where they are in employment, they work disproportionately in lower-wage and lower-skill jobs. Female rates of participation in employment also remain low and women's employment tends to be concentrated in low-wage and low-skill jobs. Low earnings levels in the region (at 89 per cent of the UK average) contribute to higher-qualified people seeking better-paid employment elsewhere. This means that efforts to encourage new technology-based industrial growth are constrained by a lack of potential recruits in the local labour market.

Governance in the East Midlands

The structure of governance in the East Midlands is similar to other English regions (Figure 20). Key elements comprise the following.

■ *The East Midlands Development Agency (emda)* has a board of 15 members comprising nine from the private sector, one from higher education, two from the voluntary sector and three from local government. Emda employs around 250 staff and has a budget of around £167 million. It takes a lead role in co-ordinating economic and employment regeneration, working with the Government Office, and thematic partnerships around housing and skills. In the latter case, it has played an important role in the creation of a regional partnership charged with producing the regional skills strategy.

■ *The East Midlands Regional Assembly (EMRA)* is made up of 111 members: 70 nominated from the 46 local authorities in the region, 35 from the wider social and business community and the region's six MEPs. Local government is required to fill two-thirds of the places. All representatives are nominated by member bodies, except for five places set aside for those under-represented in public life and the six MEP places. The Regional Assembly meets four times a year and is supported by a secretariat of approximately 30 staff. The Assembly describes itself as the 'critical friend' of emda and has undertaken a number of recent scrutiny activities relating to local urban regeneration, partnership working and the delivery of the regional economic strategy.

■ *The Government Office of the East Midlands (GOEM)* plays a primary role in social regeneration issues. This includes monitoring the implementation of the key regeneration programmes within the region, such as the three New Deal for Community initiatives, as well as supporting, advising and facilitating the development of the Local Strategic Partnerships. For example, GOEM recently played an active role in the renewal of the LSP in Nottingham when it had experienced organisational problems. GOEM also plays an important role in seeking to promote improved regional-level co-ordination and leadership.

■ *Sub-regional Strategic Partnerships (SSPs)* are an important part of emda's strategy to operate at the sub-regional level through the devolution of a degree of power related to economic regeneration. The SSPs have been set up as companies with limited guarantee and operate on the basis of an appointed board with the intention of giving them a prominent role in the economic development of the region and the implementation of the RES. There are seven SSPs in the East Midlands: Alliance SSP (North Derbyshire and North Nottinghamshire), Derby

and Derbyshire Economic Partnership, Leicestershire Economic Partnership, Greater Nottingham Economic Partnership, Northamptonshire Economic Partnership, Lincolnshire Enterprise and Welland SSP. Currently, around £50 million of Single Programme money is devolved per annum to the seven SSPs. Emda undertook a review of SSPs in 2005, with the outcome that all SSPs must submit a strategic investment plan that outlines the key strategic objectives, types of activities, main partners and stakeholders for a three-year period.

■ *Local Strategic Partnerships (LSP)*: there are long-standing links between GOEM and LSPs in receipt of NRF monies, as well as a general relationship through the design and implementation process of LAAs. LSPs relate to emda through the SSPs, rather than directly, which makes this relationship between the SSPs and LSPs important in terms of local regeneration interventions.

■ *Neighbourhood Renewal (NR)*: there are seven LSPs in receipt of NR funding in the East Midlands (see Table 6 later in this chapter) and three New Deal for Communities (NDC) organisations: Derby (Derwent NDC), Nottingham (Hyson Green) and Leicester (Braunstone). In addition, there are Neighbourhood Management organisations formed to implement NRF in certain areas (e.g. Ashfield, Bolsover, Lincoln and Mansfield).

Figure 20 Economic governanace: East Midlands region
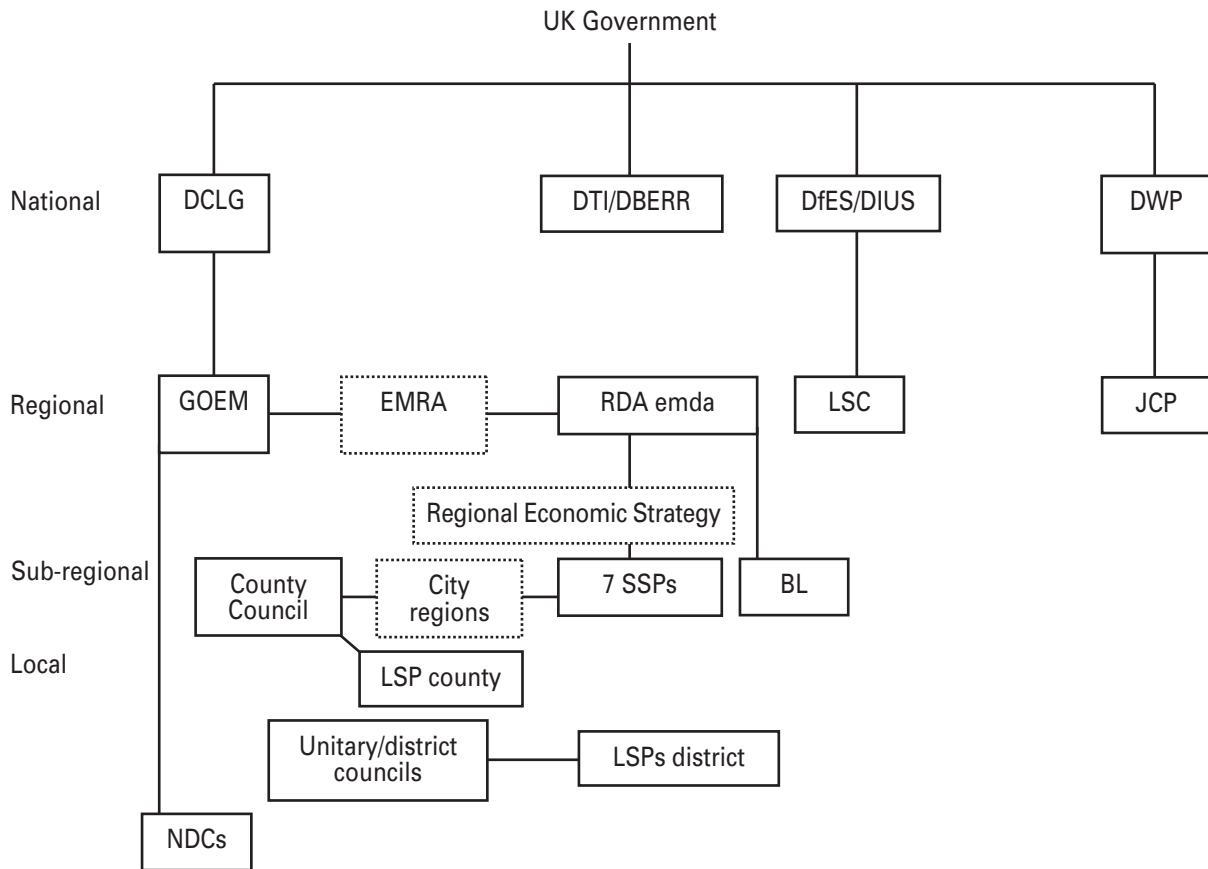
BL	Business Link	
DCLG	Department for Communities and Local Government	
DfES/DIUS	Department for Education and Skills (now Department of Innovation, Universities and Skills)	
DTI/DBERR	Department for Trade and Industry (now Department for Business Enterprise and Regulatory Reform)	
DWP	Department for Work and Pensions	
emda	East Midlands Development Agency	
EMRA	East Midlands Regional Assembly	
GOEM	Government Office for the East Midlands	
JCP	Jobcentre Plus	
LSC	Learning and Skills Council	
LSP	Local Strategic Partnership	
NDC	New Deal for Communities	
RDA	Regional Development Agency	
SSP	Sub-regional Strategic Partnership	

Note: in single-tier areas, unitary councils replace and combine the functions of district and county councils.

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Regional strategies and deprived localities

The regional economic strategy (RES) and deprived areas/communities

The current RES for the East Midlands (emda, 2006a) identifies three themes that need to be pursued to achieve their vision of a 'flourishing region': raising productivity, ensuring sustainability and achieving equality. It is the third of these themes, achieving equality, that focuses most directly on tackling economic deprivation and identifies three strategic priorities promoting:

- *cohesive communities*: encouraging neighbourhood renewal and developing the capacity of local groups to improve community cohesion

- *economic renewal*: assisting disadvantaged areas in economic renewal through business support and reducing the impact of crime

- *economic inclusion*: removing the barriers and market failures that prevent people from fully participating in the regional economy.

The following themes and targets contained within the strategy provide some measure of what needs to be achieved to address at least some of the main elements of social and spatial exclusion.

1 Employment rates: increase employment rate from 75.4 per cent to 76 per cent by 2006.

2 Employment learning and skills:
   - increase employment in the most knowledge-intensive sectors from 10.7 per cent to 15 per cent by 2009
   - reduce the share of employment in the least knowledge-intensive sectors from 41.6 per cent to the UK average of 34.5 per cent.

3 Enterprise business and support: increase VAT registration rates to 40 per 10,000 population and level with the UK average by 2009. Also increase the survival rate to above the national average.

4 Transport and logistics: increase the proportion of the workforce using public transport, walking or cycling.

5   Economic renewal: reduce disparities in economic activity rates between urban and rural areas. Increase urban economic activity rates from 76.2 per cent to 78 per cent by 2009.

6   Social capital: proportion of population in formal voluntary activities to be increased from 44 per cent to 48 per cent by 2009.

7   Economic inclusion:
    ■ proportion of population of working age claiming key benefits – to reduce from 12.3 per cent to around 10 per cent by 2009
    ■ economic activity rates in lowest decile to be increased from 71 per cent to 75 per cent.

Regional Employment Skills Productivity Partnership strategic objectives

The Regional Skills Partnership (Employment Skills Productivity Partnership [esp]) plays a crucial role in aligning the Learning and Skills Councils' (LSC) strategic priorities with the RES, and the current emphasis for 2006/07 is in two areas (Table 4). The esp partnership is led by a strategic forum, which comprises key stakeholders from employer organisations, Jobcentre Plus, Learning and Skills Councils and higher and further education institutions, and has as its role to provide a strategic direction to the work of the esp. The management team of esp has a strong representation from emda and, through this, ensures that labour market initiatives carried out by its SSPs are aligned with the esp strategic priorities to:

1   address areas of local learning and skills deprivation

2   promote concerted action related to measures of equality and diversity, particularly with regard to work-based learning.

Table 4 Regional skills/employability priorities

Regional priorities	Associated target for the region (what?)	Regional imperatives (how?)	Actions – key partnerships
Address areas of local learning and skills deprivation Links to priority 3 in the esp	Focus on the top two Super Output Areas of local education and learning deprivation in each local LSC: 1 increase access to learning 2 increase level 2 achievement.	Deliver through a strong strategic partnership with the voluntary and community sector. Establish a baseline and an action plan.	FE, work-based learning (WBL), adult and community learning (ACL) Voluntary and community sector University for Industry (UfI) Local authorities
Equality and Diversity Impact Measures (EDIMs)	Raise the participation of learners with a learning difficulty and/or disability (LLDD) in further education (FE). Raise the participation of minority ethnic learners on work-based learning (WBL). Narrow the gender imbalance on WBL. Narrow the minority ethnic imbalance on achievements for level 2.	Set EDIMs targets within the provider development plans. Develop community strategic partnerships to share choice with potential learners.	FE, WBL, ACL Voluntary and community sector Local authorities

Source: East Midlands Regional Skills and Productivity Partnership, 'East Midlands Regional Statement of Priorities – Imperative for Change' (2006/07).

Spending on deprived areas

Table 5 highlights the pattern of RDA spending, showing the emphasis on investment in business support and infrastructure.

Table 5 Regional programme funding 2005–08 (£m)

	Proposed 2005–06	Provisional 2006–07	Provisional 2007–08	Average funding 2005–08	% of average funding
Enterprise, innovation and business support including Business Link funding	33.3	33.5	36.1	34.30	38
Enterprising communities	2.8	5.3	5.7	4.60	5
Employment, learning and skills	3.6	8.1	8.7	6.80	8
International trade and inward investment	3	3	3.2	3.07	3
Economic growth, energy and the environment	2.6	3.1	3.4	3.03	3
Site provision and development	10.8	13.7	14.9	13.13	15
Transport and planning	0.2	0.7	0.8	0.57	1
ICT	0.6	0.6	0.7	0.63	1
Tourism, culture and sport	6	6	6.5	6.17	7
Rural development	2	2.3	2.5	2.27	3
Urban regeneration	8.1	16.2	17.5	13.93	16
Subtotal	*73*	*92.5*	*100*	*88.50*	*99*
Other programme activities not related to RES strands	1	1	1	1.00	1
Total funding	*74*	*93.5*	*101*	*89.50*	*100*

Source: East Midlands Development Agency, Corporate Plan 2005–08.

Table 6 shows the distribution of Neighbourhood Renewal Funding by local authority, highlighting the actual total of funds allocated for regeneration programmes. These figures do not take account of matched funding and private sector investment levered in.

Table 6 Distribution of Neighbourhood Renewal funding in the East Midlands 2001–08 (£m)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total 2001/08
Ashfield	0.482	0.723	0.964	0.964	0.964	0.642	0.321	5.059
Bolsover	0.734	1.102	1.469	1.886	2.513	2.262	2.01	11.976
Derby	1.625	2.438	3.25	3.25	3.25	3.689	4.302	21.806
Leicester	4.188	6.283	8.377	8.337	8.377	7.693	7.728	51.023
Lincoln	0.2	0.3	0.4	0.4	0.4	0.267	0.133	2.1
Mansfield	1.149	1.724	2.299	2.299	2.299	2.188	2.198	14.154
Nottingham	4.623	6.934	9.246	11.875	15.818	14.236	14.177	76.909
Total	*13.001*	*19.504*	*26.005*	*29.011*	*33.621*	*30.977*	*30.869*	*183.027*

Source: Neighbourhood Renewal Unit.

Other strategies

The regional spatial strategy (RSS) (EMRA, 2005a) is an important development in terms of regional attempts to align the RES and the RSS. Its development has required increased collaborative working between EMRA, emda and GOEM, and has influenced the nature of the sub-areas identified within these strategies. In addition there are a host of other regional strategies that exist within the East Midlands (EMRA, 2006).

In terms of joint working and the way local regeneration programmes are linked (or otherwise) to the RES and other regional economic development policies to address the needs of deprived areas, the current development of the DWP's 'City Strategy' is important. This operates in Nottingham and Leicester City. City Strategies seek to provide greater local flexibility in helping people move from benefits dependency into work through the development of new partnerships between central government and the people who are delivering services on the ground. They comprise a consortium of key stakeholders from the public, voluntary and private sectors working together to improve the way policies and services are delivered on the ground. The particular focus is to deliver an improvement in working-age employment, particularly for disadvantaged groups such as benefit claimants, lone parents, disabled people, those with health conditions, older people and people from minority ethnic groups.

Key issues, challenges and barriers

Linking economic and social policies

The East Midlands context and approach

Successive regional economic strategies in the East Midlands have to date been strongly focused on the pursuit of economic competitiveness rooted in the development of a high-skill, high-productivity, innovative regional economy. This position reflects that the region has enjoyed relatively strong economic growth in recent years. Much of the region is closely linked into the economically prosperous wider South East economy and the southern part of the region in particular is well positioned locationally to improve competitiveness at the national and international level.

However, there is increasing recognition within the region of the failure of recent economic growth to benefit all sections of the population and particularly those resident in major areas of deprivation associated with the former coalfield, major urban centres, and the Lincolnshire coast and surrounding rural area. The current RES, published in 2006 following much wider stakeholder discussion than previously, demonstrates a shift towards greater appreciation of, and consensus around, the need to better integrate issues of economic inclusion and community cohesion within the economic development process.

The 'achieving equality' theme of the current RES focuses particularly on increasing rates of economic participation as a central element of achieving regional economic success and building 'cohesive communities'. The focus on economic inclusion is primarily about getting people into employment and reducing disparities in economic activity and employment rates through overcoming the barriers that prevent people from participating in the economy, as well as upskilling those in low-skill/low-wage employment. The RES seeks to mainstream more effective socio-economic activity at sub-regional level and engage more widely with other regional stakeholders and the third sector.

However, the level of commitment and ability to better link the economic competitiveness and social inclusion agendas remains in question. There is certainly doubt among many stakeholders as to the degree of genuine commitment to the social regeneration agenda within the RES, with a feeling that this is primarily a response to the requirements of central government targets rather than any fundamental shift in approach. At the same time, many respondents felt that the economic development focus of emda is an important one. As one respondent remarked:

> If you look at the RES there are lots of good words about social equity, sustainability and communities, but a lot of that is lip service to be honest – the main thrust of emda is economic development, and I would agree with that, it is right and proper that this is the case.

Limitations are readily apparent in the integration of these agendas and these are strongly rooted in the nature of existing governance structures (see section on 'Governance and partnership' below). As a recent scrutiny report stated:

> NDC, NRF and Neighbourhood Management focus on floor targets and deprivation – a GOEM focus. At its most simplistic the RES agenda is a DTI focus on competitiveness and this remains the case despite recent changes – the key being targets in emda's Corporate Plan rather than the

> more holistic baselines and targets included in the RES. The reality is that social inclusion and economic growth are two sides of the same coin and should be complementary.
> (EMRA, 2006)

While emda itself recognises its role as the principal economic development agency and an advocate for economic well-being for the region, it is clear that it does not specifically lead on social regeneration activities, which is the responsibility of the GOEM. Therefore a challenge remains to clarify precisely what is emda's role in the area of social regeneration, particularly in relation to its statutory duty to promote sustainable development, and how it needs to work with other agencies and regional funders to support this regional priority.

Initiatives linking economic development and social regeneration

The RES makes a clear statement about the need to ensure that all members of the population benefit from the pursuit of growth. However, in practice, initiatives that have actively sought to link the economic growth agenda with the needs of disadvantaged areas and communities comprise mainly localised responses to particular problems and generally have not formed part of wider regional or sub-regional strategies. The one clear exception to this is the roll-out of the Local Alchemy project (see below). While most deprived areas are urban based there are also initiatives related to rural deprivation, for example in Lincolnshire and the Peak District, and to the particular challenges of the former coalfield areas.

Labour market initiatives

The need to get those not in work into the jobs that are being created has produced a range of initiatives that have focused on getting groups 'job ready' and linking them to jobs via job-brokerage schemes. For example, the 'Making the Connections' initiative developed by Greater Nottingham Partnership has attempted to connect local people to job opportunities created through inward investment. At the neighbourhood level, the Radford and Hyson Green NDC has an employment and training strategy linked with JCP schemes as well as their own specific initiatives, while the Derby City Partnership has targeted activity at addressing the barriers to employment of residents in Derby's most disadvantaged neighbourhoods.

However, some of the problems of making such linkages are exemplified by the Markham Enterprise Growth Zone (MEGZ) in North East Derbyshire, a major redevelopment of a former colliery site by emda/English Partnerships, which aims to attract inward investment to a well-located site close to the M1. The nearby Staveley Management Partnership (SMP) commissioned research on barriers for local people to access these employment opportunities. This identified major barriers related to ill health, a reluctance to move from benefits into low-paid or minimum wage work, a lack of childcare facilities and inadequate existing skills and training provision. However, the ability of the local/neighbourhood agencies such as the SMP to work with the wide range of different agencies to address these issues means there are doubts about the extent of local employment benefit, particularly given that jobs in the MEGZ are accessible to a wide labour market.

Enterprise initiatives

With regard to promoting enterprise in deprived areas, an innovative initiative across the East Midlands is the Local Alchemy project. This project, developed by the New Economics Foundation in collaboration with emda, seeks to:

> … release the local energy and creativity in all communities – supporting individuals and groups to reinvent their local economy.

These ten projects spread throughout the East Midlands promote the development of 'enterprising communities' in disadvantaged areas through a bottom-up process of community engagement. This process comprises:

1   the development of an Enterprising Community Framework (ECF) to envisage what an 'enterprising community' would look like

2   use of a toolkit to help the area envision, map and plan the implementation of a new local economy

3   use of a Local Alchemy coach who acts as a catalyst for bottom-up development and engages relevant agencies

4   seed-corn funding, via the Community Foundation, to provide the initial funds to 'kick start' economic ideas that have a positive economic, environmental and social impact.

A detailed evaluation of the Local Alchemy project is presented in Volume 3, Chapter 3.

Other enterprise-focused schemes include the first successful Local Enterprise Growth Initiative (LEGI) bid in the East Midlands, the Alliance Enterprise Exchange, which comprises a partnership between the three districts of Ashfield, Bolsover and Mansfield to promote enterprise activity in this deprived former coalfield area (Smith, 2006). This six-year, £7.2 million LEGI project commenced in 2006 to:

1   promote enterprise development, which includes the development of an Enterprise Academy to promote enterprise in schools, combined with a Community Development Finance Initiative to assist small businesses with small loans and thus improve access to finance

2   help people access employment using a 'Making the Connection' model of connecting communities with new employment developments through training, outreach working, easing access to transport and supporting the development of social enterprise

3   fund a Business Realm Improvement Programme targeted at deprived areas to upgrade premises, provide help to deal with business crime, refurbish council properties to create a network of managed neighbourhood start incubation and graduation.

At the neighbourhood scale, there are also examples of business support within NDC programmes, while, at the strategic level, emda has undertaken some pioneering work in seeking to promote women into enterprise. Emda's Action Plan was created to boost the number of women starting sustainable businesses. This seeks to confront the various barriers (e.g. poverty, care responsibilities, low pay/low skills, poor access in rural areas) to women's enterprise. Although there are measures across the region to address these barriers, the deep-rooted nature of them means they represent an ongoing challenge.

A common feature of these enterprise initiatives in deprived areas is an emphasis on community engagement, outreach and the use of locally based coaches/advisers who work closely with entrepreneurs or those entering self-employment. This creates an additional service that supplements or fills the gap left by mainstream business support services that often fail to engage residents of deprived areas. Furthermore, there is evidence of some success with Local Alchemy and other initiatives, such as the BizFizz initiative in Bolsover, where good-quality 'coaches' are available.

Governance and partnership

Development of governance arrangements in the East Midlands

The basic governance arrangements within the East Midlands are in line with those of the other English regions. The particular challenges the region faces relate to its disparate economic nature, an urban structure that lacks one dominant urban centre and a lack of regional identity, which have together hampered the development of strong regional or city-region leadership. This context has resulted in a particular emphasis placed on the development of sub-regional structures in the delivery of the RES.

There are concerns about the actual links between the RES and deprived localities. The scrutiny report, *Linking it up Locally* (EMRA, 2006), prepared for the Assembly identified that the 'fit' between regional and local/neighbourhood plans is lacking for two principal reasons: first, because of the distance from the overarching regional perspective to the 'sharp street focus' of neighbourhood strategies; second, because investment in 'soft' issues was less attractive to the RES, whose targets related predominantly to higher-level skills, business clusters, infrastructure investment and their impact on GVA and regional competitiveness.

This lack of integration is rooted within the broader governance of regional/local economic development resulting from the division of labour and lack of joining up between the separate agendas of the relevant government departments; the DTI (DBERR)/emda focus on competitiveness at the regional/sub-regional level; and the more holistic and area-based approach of DCLG/GOEM that emphasises social and economic inclusion.

With regard to deprived areas, the absence of any strong regional leadership has resulted in weak collaboration between emda, GOEM and the Assembly in this area. However, with the production of a more widely consulted on RES and RSS, and GOEM taking a stronger co-ordinating role in seeking to integrate regional activity horizontally between itself, emda and the Assembly and the three major cities, there is evidence that this situation is changing, with an increased maturity in the relationship between emda and partners.

The governance of economic and regeneration activity within the East Midlands remains highly complex. A much-repeated criticism is that there are too many providers, often competing for resources, with too little co-ordination between them. There are also major funding-related issues, with multiple funding regimes that often produce small-scale, short-term funding that is unable to address the long-standing and deep-rooted problems of economic and social inequality within deprived areas.

Stakeholder engagement: voluntary, community and private sectors

A barrier for participation for a range of stakeholders – whether community, voluntary or business related – is in terms of engaging with the proliferation of partnerships that exist within the region. For example, the regional TUC has representation on the Assembly (EMRA) as well as on emda, and on one of the SSPs (Greater Nottingham Partnership Skills Board), but lacks resources to develop the stronger regional role it aspires to.

For many stakeholders, particularly from the voluntary and community sector (VCS), the narrow economic focus of much activity to date, with social and environmental issues downplayed or even ignored, has an exclusionary consequence, as some communities or groups do not identify themselves as stakeholders within the process.

For the VCS, a loss of funding sources has required organisations to focus on their viability and a scramble for funding from the few sources available (e.g. the Lottery). As one respondent remarked: 'It's just a bloody bear pit'. The 'Change Up' agenda, which seeks to support voluntary and community organisations, has created particular problems, as the resulting mergers of local VCS bodies have not taken place in an open and transparent manner, creating resentment and a loss of trust between actors.

Private sector engagement is variable. Board members of SSPs include private sector members, normally from larger businesses. However, the difficulties in gaining active private sector involvement in areas that lack major employers are well demonstrated by the difficulties that the LEGI led by Ashfield District Council has had in gaining private sector input. The current RES emphasis on improving skill levels of those in employment, enhancing economic inclusion and improving the work–life balance requires stronger employer engagement than has occurred to date.

Horizontal linkages

At the regional level, the relationship between emda, GOEM and the Assembly plays a critical role in the development of the RES and its co-ordination with other strategies. Although emda is the lead organisation for the RES, this strategy is for the region and not just that of emda – a distinction that has not always been apparent. In this respect, in the production of the latest RES, there has been a clear attempt to broaden stakeholder engagement and develop a wider ownership of the strategy than had occurred previously.

The Assembly has a number of scrutiny tasks related to the interface between the economic and social policy agendas, notably in relation to the working of the sub-regional partnerships and partnership working more broadly. In this role, the Assembly has been critical of emda and other partners on these issues and the lack of clarity over who does what at different spatial levels (e.g. EMRA, 2005b, 2006). Tensions in relationships have been evident in the initial lack of co-operation by emda in the development of LAAs and LEGI within the region, although this position has subsequently changed.

In this respect, GOEM has played an important role in seeking to integrate regional policy, both horizontally and vertically, adopting a clearer focus on this role as a result of its own internal restructuring and development of a more strategic role that included the appointment of a Director of Regional Policy to cover the relationship between emda and the Assembly, and to bring public sector resources together around the delivery of identified priorities. An example of closer working together between GOEM, emda and EMRA is their joint response to the Comprehensive Spending Review related to sub-national economic development and regeneration. There has also been improved joint working in relation to LEGI. Whereas, initially, emda was not co-operative, subsequently a regional LEGI management group was created, which included directors from emda, as well as representatives of JCP, LSC, the Small Business Service (SBS) and the Federation of Small Businesses with joint emda/GOEM lead on providing support for bidders.

There has been an increasing recognition of a need to attempt to develop stronger leadership for the region through bringing EMRA, leading politicians and chairs of key agencies together around a vision for the area. A particular challenge is how to integrate the input of the EMRA, that of nine principal local authorities and the activities of emda and GOEM. In an attempt to improve leadership and co-ordination two bodies were created in 2006. First, a steering group, chaired by the GOEM, which comprises the Chief Executives of all the key bodies in the region (including emda, EMRA, LSC, Job Centre Plus, the Strategic Health Authority, primary care trusts and the unitary and county councils). This steering group takes oversight responsibility for the Implementation Plan of the RES. Second, a 'leadership' body of chairs and lead politicians was convened by EMRA and chaired by the Leader of the Regional Assembly.

Given the critical role of employment and skills to the economic inclusion agenda, relationships between those agencies with responsibility for economic development and regeneration activities and the LSCs (via the East Midlands Regional Skills and Productivity Partnership) and Jobcentre Plus are clearly important. The LSC budget is far greater than that of emda, yet the extent of integration into the RES remains

limited. While relationships with LSCs and JCP do exist, their quality is variable and there remains a common feeling that much more could be done to 'join up' strategy formulation, target setting, resources and delivery at regional, sub-regional and local levels. Ultimately, it is recognised that the LSC and JCP are very constrained in their ability to respond to local groups and priorities. More broadly, the fact that DWP lacks any strong regional dimension to its strategic approach is seen as an important source of many of these problems.

The existence of three major cities (Nottingham, Derby and Leicester) located relatively close together at the heart of the region, but with little tradition of collaboration, presents a particular governance challenge for the East Midlands. By international standards none of these cities is large and, for certain major regeneration and economic development projects, there would appear to be clear benefits from greater economic co-operation. These cities form the dynamic economic heart of the region but also contain areas of extreme deprivation. There is currently a strategy to develop a Three Cities sub-area in order to promote joint working between the cities. This resulted in the creation of a 'leadership group', which comprises the six relevant councils – the three cities and their surrounding three counties. It is supported by an 'implementation group', comprising the six Chief Executives, emda's Chief Executive, and GOEM's Regional Director, who share resources to build a partnership team and work up a business plan for future activities. To date, joint projects have included an unsuccessful LEGI bid and a successful 'housing growth point' application. However, a long-term lack of trust and need to compete for public and private sector investment has restricted the scope of such co-operation so far, and there is a clear tension surrounding individual cities pursuing their own development plans.

Vertical linkages

The scrutiny report (EMRA, 2006) pointed to the distance from the overarching regional perspective to local and neighbourhood strategies as a major problem in better aligning strategies, targets, resources and delivery. The sub-regional partnerships, the SSPs, are seen to have a particularly important role in providing this vertical linkage between emda at the regional level and LSPs/LAAs at the local level.

Sub-regional

Emda has taken a pioneering role among RDAs with respect to constructing seven sub-regional partnerships (SSPs) and giving them a strong role in the economic development process. This has included decentralisation of budgets, with around 50 per cent of budgets flowing through them, and some devolution of power providing them with a degree of local discretion. However, although the SSPs have indicative budgets, they have a reduced level of decision making than previously, with emda now taking more responsibility for funding and delivery. As these bodies can be quite small, the emphasis is on strategy rather than delivery.

There is evidence that SSPs have been involved in some innovative initiatives, particularly around the social economy and supporting small business development. In areas where there are no NRF-funded LSPs, SSPs have seemingly played an important role in ensuring that regional agendas are being relayed to the local level. The SSPs also act as a conduit to the board of emda, in terms of the needs of disadvantaged areas, so the nature of the SSPs (i.e. their level of inclusiveness) is important in determining what issues are raised.

Within the current RES, the sub-regional level is seen to have a critical role to play in delivering the economic inclusion agenda of the RES through the development of sub-regional investment plans and strategies that are strongly linked to LAAs and LEGI. Yet the operation of the SSPs has to date generated a range of criticisms. First, that the inconsistency in the geographical coverage of SSPs leads to differences in delivery patterns and partner engagement, which can place limitations on integrating the delivery of mainstream programmes with other organisations (e.g. LSCs). Second, depending on other institutional arrangements, certain SSPs are seen as an additional tier of bureaucracy that adds little between the LSP and regional levels. Third, SSPs are commonly criticised for being too focused on narrowly defined economic issues and their contribution to the economic outputs identified in emda's regional economic strategy, which has led to a loss of the broader social and community objectives of the SRB and rural programmes that had existed previously. Finally, there are issues related to their inclusivity. The business culture of SSPs can act as a barrier to 'buy in' from certain community and voluntary sector partners, while the manner in which directors are nominated and appointed to their boards also raises issues of transparency and accountability. Taken together these criticisms demonstrate that certain SSPs have struggled to retain legitimacy with local and regional bodies, and this has limited the effectiveness of their sub-regional role.

Local authorities, LSPs and LAAs

The role of local authorities and LSPs in engaging with local economic development and social regeneration is highly variable, reflecting differences in capacities between councils as well as differences in histories of intervention. There is evidence that the local authorities are being seen as having an enhanced role in local economic development in neighbourhood, employment and enterprise programmes. However, the differences in their capacities are clearly evident in their ability/inability to respond to new government initiatives such as LEGI.

While there are examples of successful LSPs in the region (e.g. in Mansfield), there are also cases where the development of LSPs has been problematic (e.g. Nottingham). In these cases there are considerable implications for effective implementation of integrated strategies for deprived areas, as tensions surrounding joining up objectives, aligning targets and performance are exacerbated in the absence of any shared consensual approach. The fragmentation and short-term nature of funding, which includes situations where agencies may be competing against each other, aggravates rather than resolves the tensions that arise within such partnerships.

There are examples of development towards more integrated policy development and delivery, for example in the case of the Greater Nottingham Partnership SSP, which has been seeking to develop a Multi-area Agreement (MAA), Local Alchemy (see Volume 3) and the only successful LEGI application to date in Ashfield, Bolsover and Mansfield. In the latter case, the bid was characterised by the three district councils coming together in recognition of their differing strengths: Mansfield with a relatively well developed economic development role; Bolsover with experience of providing a successful business coaches programme through the Bizfizz initiative; and Ashfield with a relatively low level of activity in this area. This collaborative approach was enabled by a clear sense of shared problems resulting from being a former coalfield area.

The introduction of LAAs provides a potentially important vehicle for local policy integration and for linking local economic development policies to the RES. The intention of LAAs is to develop more effective and innovative ways to co-ordinate policies, programmes and services, and set priorities and targets around specific policy sectors. These will be undertaken by local authorities in collaboration with other appropriate agencies under central government guidance and direction. Extra funds are available if performance and targets are achieved and it can be demonstrated that the necessary partnerships and modes of delivery are established.

Block 4 of funding for LAAs relates to economic development and offers opportunities according to stakeholders for integration and co-ordination (of the sort seen in the Ashfield LEGI initiative). However, the extent to which councils will co-operate on local economic development issues more generally remains to be seen, particularly in areas where the history is of competition rather than collaboration. Similarly, while LAAs do appear to provide opportunities to develop some form of consistency between the RES targets, the extent to which this will happen in practice is open to question.

Conclusions

The East Midlands demonstrates the difficulties of a complex and disparate region responding in a co-ordinated manner to the problems of entrenched deprivation in particular groups and areas. To date, the emphasis of the regional economic strategy on the pursuit of economic competitiveness has marginalised the social regeneration agenda and those agencies aligned to it. Recognition of a need for an economic strategy that is more economically and socially inclusive is now widely accepted across a range of stakeholders. However, existing governance arrangements provide a number of barriers to the pursuit of this objective.

In governance terms, there are considerable problems of developing strong and effective regional leadership between emda, GOEM, EMRA, the three major cities and other major local authorities, given variable and sometimes competing objectives. While there is clear evidence that partnership relations are beginning to mature and become more effective at the regional level, these tensions remain. In many cases, such tensions are rooted within the differing agendas of central government departments, particularly with regard to employment, education and skills.

The attempts to develop a stronger sub-regional dimension demonstrate the importance of this level of operation within a diverse region in seeking to promote the economic development agenda. However, they also illustrate the difficulties of linking this effectively to the social regeneration agenda given the constraints of developing strong and accountable agencies at this level. In this respect, greater legitimacy rests at the regional and particularly the local level, the latter retaining stronger authority as well as gaining increased responsibility, despite often minimal capacities.

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Organisations interviewed

East Midlands Development Agency (emda) – Head of Sustainable Communities

East Midlands Development Agency (emda) – Board member

East Midlands Development Agency (emda) – Regional Women's Enterprise Co-ordinator

Government Office for the East Midlands – Director of Regional Policy

Regeneration East Midlands – Chief Executive

GMB Union – Full-time officer

Local Alchemy – Project Manager

Derby and Derbyshire Economic Partnership – Executive Director

Derbyshire Unemployed Workers Centre – Manager

Greater Nottingham Partnership – Chief Executive

One Nottingham Local Strategic Partnership – Chief Executive

Ashfield District Council – Head of Community and Economic Promotion

Nottingham New Deal for Communities Radford and Hyson Green – Head of Operations

Mansfield Community and Voluntary Sector – Director

4 London

Introduction

As the only English region with an elected Mayor and Assembly, London provides an important case study with which to examine the evolving nature of regional governance arrangements in the UK. Within the English context, London is a unique 'region' in a number of important ways. First, it is a city rather than a region, with a national and global economic role as well as being the motor of the wider South East regional economy. Second, it is an area that is experiencing rapid economic and population growth characterised by large inequalities in wealth and income between different social groups and areas. Third, with the creation in 2000 of the Greater London Authority (GLA), and the election of a Mayor and Assembly with responsibility for a range of city-wide issues including economic and spatial development, it has a unique set of governance arrangements. However, although London is in many respects a 'special case', it provides a fascinating insight into how, within a highly centralised system of national government, a powerful economic area has actively sought to develop governance arrangements, strategies and policies better related to its particularities. Furthermore, the novel governance arrangements in London have been seen as something of a test case of how power might be devolved to other English cities and regions.

This chapter draws on evidence from a combination of sources. Along with official statistics related to measures of economic performance and deprivation, use has been made of a number of recent reports and strategies that relate to London. Given the size and complexity of London, in order to analyse in greater depth how different regional, sub-regional and local levels worked together in practice, the study focused on the particular sub-region of West London. West London was selected, as it provided a good example of the particular challenge faced within London of strong economic growth alongside areas of intense deprivation. Furthermore, West London has a reputation as being the best-developed level of sub-regional governance within London, thus making it of interest in seeking to identify examples of good practice.

The main source of primary data was a series of interviews conducted in London in the period October 2005 to April 2006. These comprised in-depth, semi-structured, face-to-face and telephone interviews with representatives of organisations involved in issues concerned with economic development at the city-wide level (eight interviews) (e.g. the London Development Agency, Government Office for London and the Greater London Authority), at the sub-regional level (five interviews) (e.g.

West London Alliance, London West Learning and Skills Council, Park Royal Partnership) and at the local and neighbourhood level (five interviews) (e.g. London Borough of Brent, South Kilburn New Deal for Communities, Brent Association for Voluntary Action) (see full list at the end of the chapter). In addition, a workshop held in June 2006, hosted by the West London Alliance and attended by ten representatives of organisations interviewed, provided an opportunity to discuss preliminary findings and take on board policy developments.

In the period when the research in London was completed, there were a number of important issues that were points of discussion and that were actively shaping thinking of respondents.

First, the ODPM (now DCLG) was undertaking a review of the powers of the Mayor and London institutions (ODPM, 2005). The Mayor was actively campaigning for increased powers, a number of which related to issues of economic development, notably skills, housing and planning (Mayor of London, 2006a). Many of those interviewed or their organisations had been involved in submitting their views and representing different interests as part of the review process. Of particular importance within this review of issues relating to the economic needs of deprived areas were proposals for the Mayor to have greater power over the skills agenda.

Second, the development of the delivery of the 2012 Olympics was under way, with working arrangements, funding mechanisms and personnel being put in place. The potential implications of how such a major regeneration operation would impact on strategies, political priorities, governance arrangements and delivery were of interest to all major actors within London.

Third, a review of the boundaries of London's five sub-regions was ongoing, with an expectation that this would lead to a change in the existing arrangement of sub-regions. Finally, also important within the London context were national-level developments related to changes within Jobcentre Plus, Learning and Skills Councils, reductions in the number of funding streams and the introduction of new policy initiatives such as the Local Area Agreements (LAAs) and the Local Enterprise Growth Initiative (LEGI).

Economic and governance context

Economic challenges

London forms the core of the economy of the wider South East of England, the most competitive region within England and one of the most competitive regions within Europe. London has experienced strong economic and population growth in recent years. Between 1982 and 2003, the population grew by 8.6 per cent, driven principally by net international in-migration, with current predictions for future population growth of a further 700,000 by 2016. One important feature of this population growth has been the highly diverse ethnic population that characterises London, with a number of London boroughs having well over 50 per cent of their population originating from different minority ethnic groups.

London's economic growth has been based on its strong competitiveness and high labour market productivity (Gordon, 2001). The overall competitiveness of the London economy has grown strongly since 1989 and in comparison to all other UK regions. In 2003, the average GVA per head in London was £20,990, the only region above the national average of £16,383 (Figure 21). Strong economic growth has been driven by the dynamism of producer services and particularly the financial services industries. Economic dynamism is also reflected in high levels of business formation. Between 1994 and 2004, annual average VAT registrations as a percentage of business stock were 13 per cent, a figure consistently and significantly higher than all other regions (Figure 22).

Yet, despite this strong economic growth, London continues to suffer with problems of high levels of deprivation concentrated in certain groups and areas. Although unemployment has fallen in line with national trends, in 2005, London had the highest unemployment rate (6.7 per cent) of any UK region and one that was significantly above the UK average of 5.1 per cent (Figure 23). London also suffers a relatively low employment rate, 70.5 per cent in 2005 – again significantly below the UK average of 74 per cent (Figure 24). Also, five of the eight local authorities with the lowest employment rates nationally (below 63.3 per cent) – Newham, Tower Hamlets, Hackney, Haringey, and Barking and Dagenham – are located in inner and eastern London. However, the proportion of the inactive population of working age claiming benefits in London was only 25 per cent, the lowest in the UK and well below the UK average of 36 per cent (Figure 25). These figures illustrate some of the particularities of the London labour market, especially those resulting from the high proportion of minority ethnic groups, with low female participation rates among certain ethnic groups.

Figure 21 Regional GVA per head
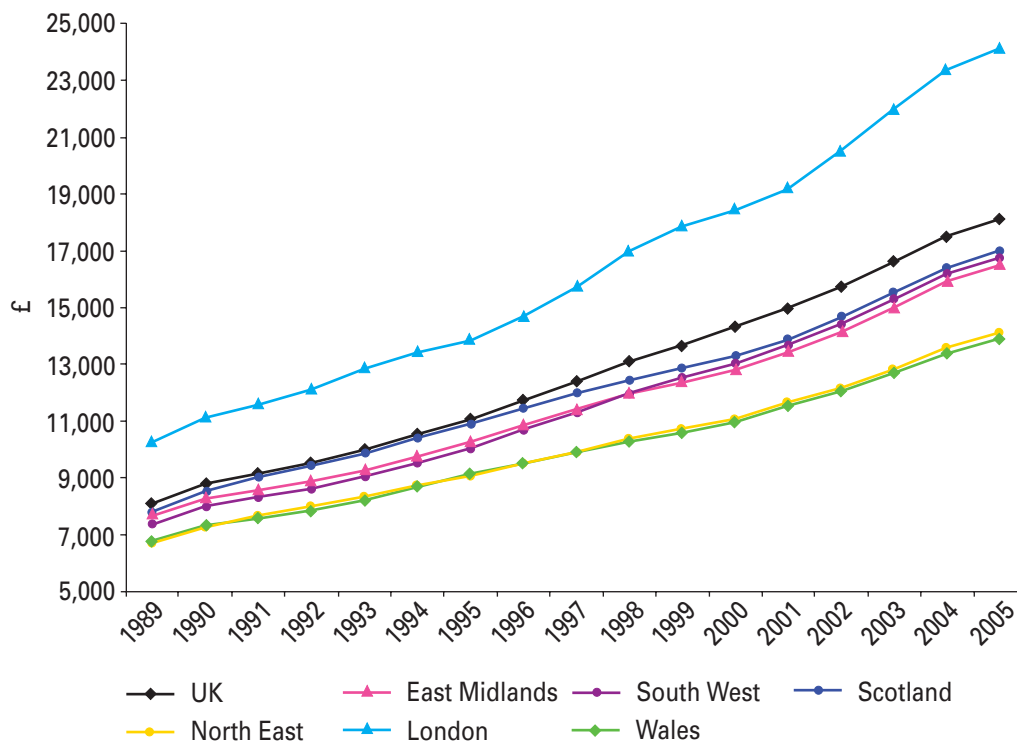
Source: Office for National Statistics.

Figure 22 VAT business registrations
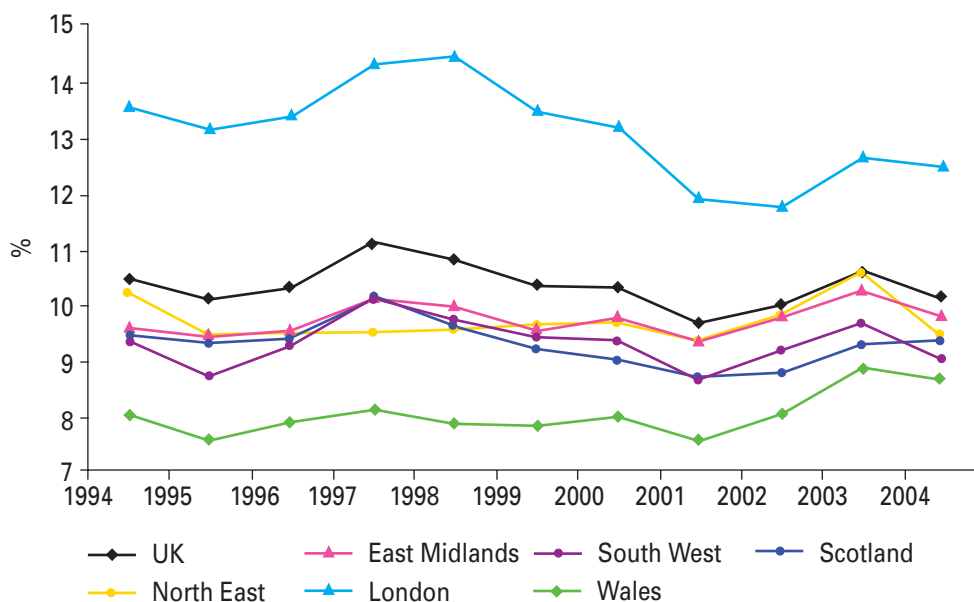
Source: Office for National Statistics.

Figure 23 Unemployment rate (1997–2005)

Source: Labour Force Survey, Office for National Statistics.

Figure 24 Employment rate (1997–2005)

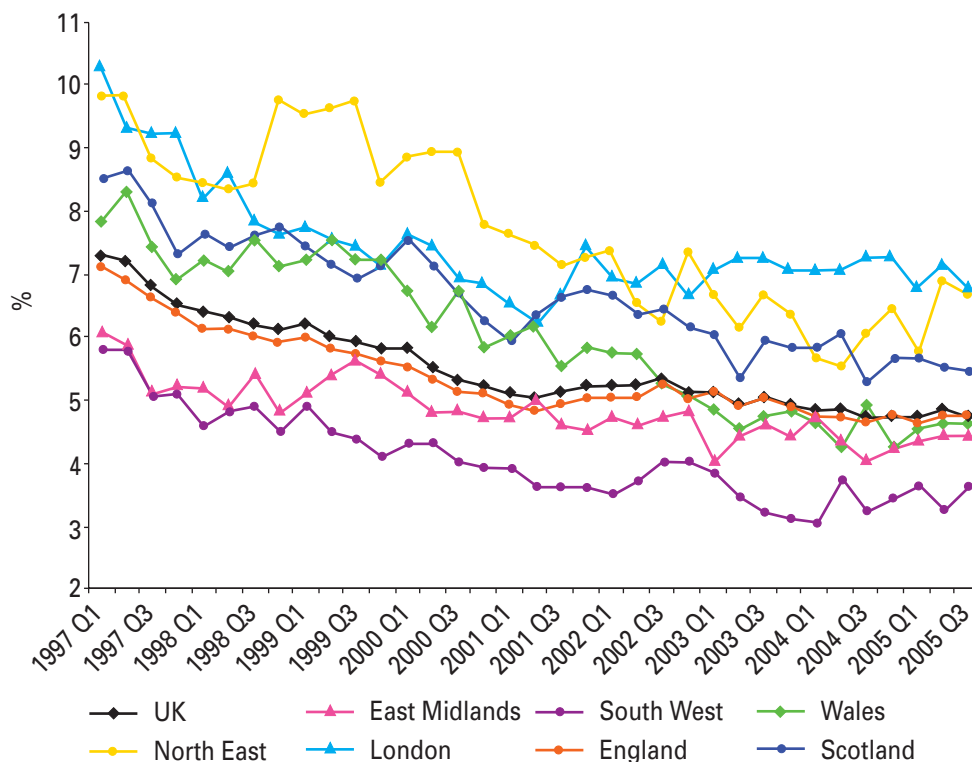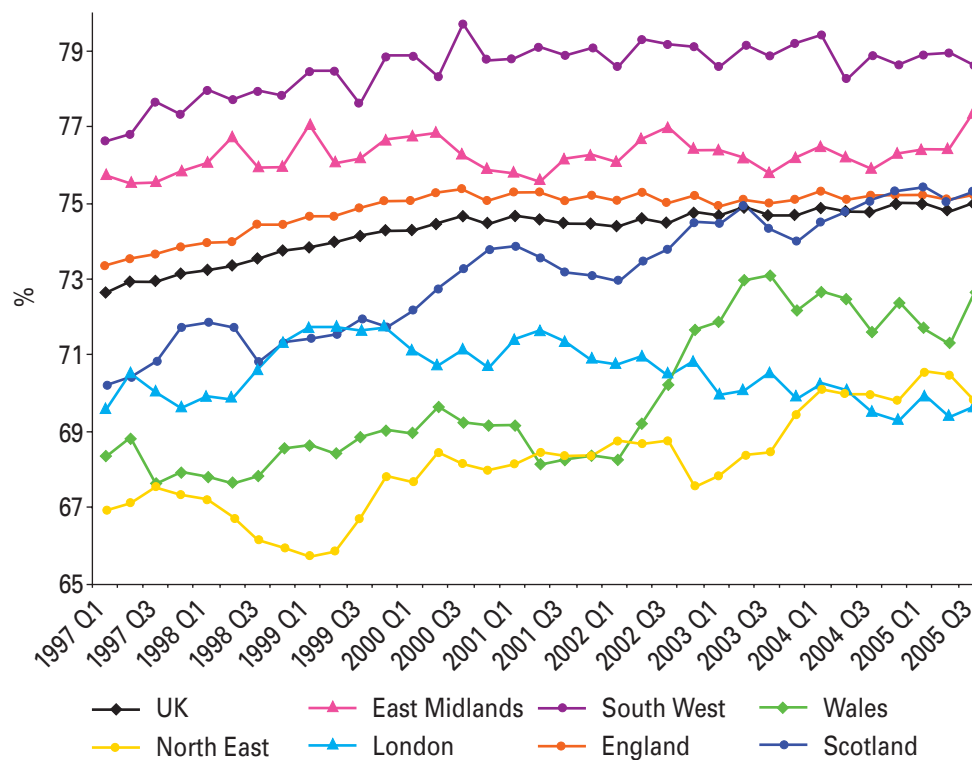Source: Labour Force Survey, Office for National Statistics.

Figure 25 Benefit payment (incapacity benefits/severe disablement allowance) as proportion of inactive population in the UK
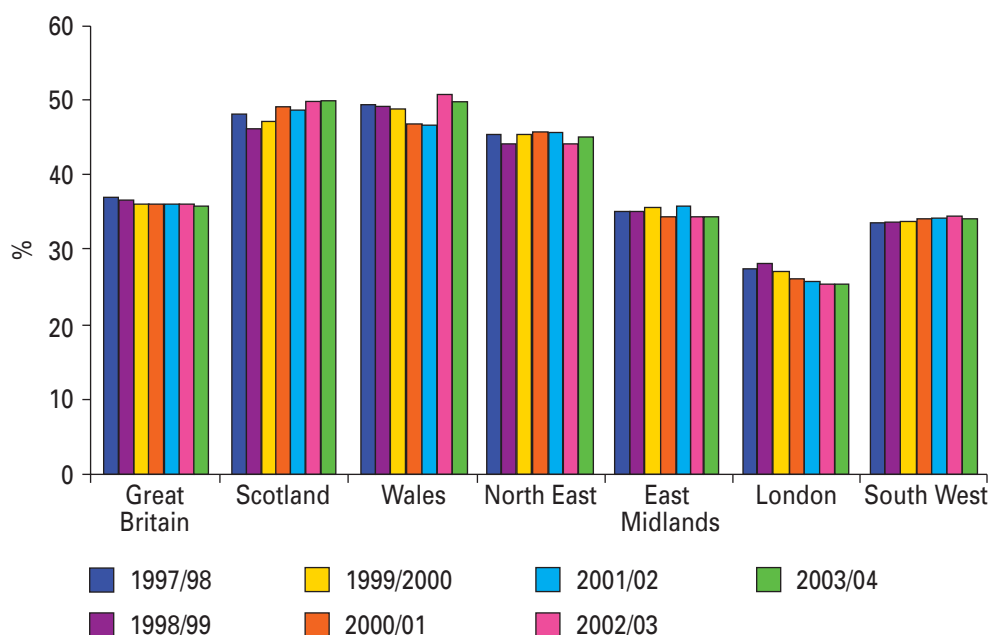
Source: Department for Work and Pensions.

These particularities of the London context have produced a number of economic challenges within London, which have been evident across the various economic and spatial development strategies that have emerged since the late 1990s (Syrett, 2006). First, there is a dominant concern with retaining global city status. London's position as a global city produces intense pressure to maintain the conditions of its international competitive success. As a result, there is a strong focus on the high-value knowledge-based sectors of the economy and the need to ensure the availability of a highly skilled workforce, appropriate business space and good accessibility. Second, widespread and continuing inequality and deprivation is a central feature of London's experience. High levels of social deprivation are focused in certain segments of the population, notably particular ethnic groups, and in certain areas, predominantly within inner London. Third, there are major quality of life issues, particularly for those on lower incomes. High housing costs combined with road congestion, a rail and underground system full to capacity, and the low quality of some public service provision and elements of the physical environment have had negative impacts on people's quality of life. This issue raises concerns about London's ability to attract and retain workers across a range of skill and income levels.

Inequality and deprivation

The marked spatial concentration of deprivation in London is evident from the results of the national Index of Multiple Deprivation. London contains 10 per cent of the 10 per cent most deprived Super Output Areas (SOAs) in England and 26.4 per cent of the 20 per cent most deprived SOAs. As Figure 26 illustrates, the most deprived SOAs are concentrated principally, although not exclusively, in inner London boroughs, particularly the 'inner' north east, including Tower Hamlets, Newham, Hackney, Haringey and spreading to Camden, Islington and Westminster. The most deprived SOAs in the south are focused in Southwark, Lewisham, Greenwich and Lambeth and, to the west, in Brent.

In terms of employment in London, the problem is not a lack of jobs per se, rather the types of jobs that are created and the inability of certain sections of the population living in certain areas to compete effectively for them (Buck *et al.*, 2002). As a result of their lower levels of education and skills, residents in London often find it difficult to compete for jobs with commuters from the Home Counties. However, the lack of participation in formal employment also reflects the poor quality of the jobs available, as the low-skill, low-paid jobs that are on offer hold limited attraction to individuals and communities who have been marginalised from the labour market over a long period of time. For those on low incomes, higher housing, childcare and council tax costs combined with national tax and benefit rates mean a higher hourly wage is required to be better off working, with a potential loss of benefits acting as a deterrent to the take-up of low-paid employment.

There is an important ethnic dimension to poverty and deprivation in London. With approximately one-third of the London population made up of ethnic minorities, the unemployment rate of 5.3 per cent for London's white population is significantly below the 11.7 per cent rate for the non-white. While the black and minority ethnic (BME) population has fewer high-level qualifications, this population encounters other specific barriers to employment related to language abilities and workforce discrimination.

Figure 26 London Index of Multiple Deprivation 2004
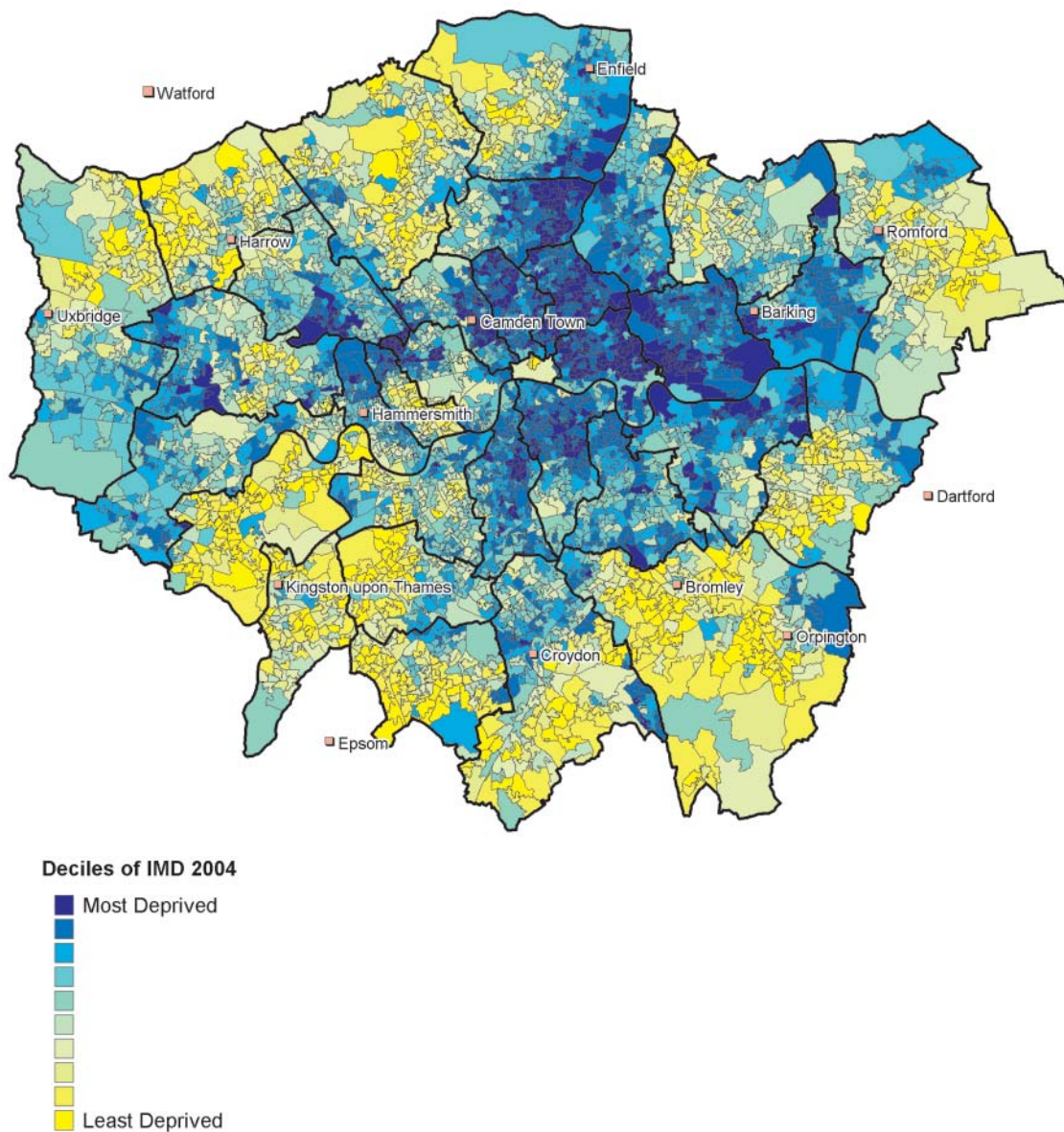
Deciles of IMD 2004

Most Deprived

Least Deprived

Scale 1:1 245 000

Source: DCLG.

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London's governance: the GLA, LDA and GOL

Although London has a long history of city-wide governance that goes back to the nineteenth century, after the abolition of the Greater London Council (GLC) in 1986, London spent 14 years as the only capital city in Europe that lacked a city-wide government (Travers, 2004). The creation of the GLA in 2000 by the New Labour Government thus marked a return to city governance, albeit with a difference in that, for the first time, it consisted of a directly elected Mayor alongside a separately elected Assembly. This governance arrangement is characterised by a streamlined 'strategic' body, with the elected Mayor operating as a lead partner for a network of interests. A principal rationale for this arrangement was that a Mayor would provide 'voice' for London, a role that was seen as particularly important with regard to the promotion of London's economic development and its retention of its global city status. Under the current governance arrangements, the Mayor has considerable agenda-setting power through a lead role in the preparation of a range of statutory strategies (for transport, economic development, spatial development, air quality, noise, waste, biodiversity and culture), setting the budgets for the GLA, and as chair of Transport for London. The role of the Assembly is to scrutinise the Mayor's activities with a remit to initiate its own investigations into issues deemed important. There is a clear separation of powers within the GLA between the Mayor, who has an executive role, making decisions on behalf of the GLA, and the Assembly, which has a scrutiny role and is responsible for appointing GLA staff. The GLA has a budget of £4.7 billion and has responsibilities for delivering police, fire, transport and economic development and regeneration services.

As well as specific responsibility for strategy formation in the areas mentioned above, the Mayor has a general power to promote economic and social development and the improvement of the environment, which has seen actions taken in a range of areas where there are no formal powers. The Mayor has also successfully campaigned for increased powers, most notably in the areas of housing, learning and skills, planning and waste (DCLG, 2006).

The basic governance structure for economic development and regeneration activity is set out in Figure 27. In terms of economic development, the key mayoral agency is the London Development Agency (LDA), which works for the Mayor to co-ordinate economic development and regeneration activity. The LDA shares the same powers as the other English Regional Development Agencies, but is answerable to the Mayor rather than to the Secretary of State (Syrett and Baldock, 2003). A board is appointed by the Mayor to run the LDA. The Mayor directs the LDA to prepare an economic development strategy (EDS), provides guidance to the LDA about the strategy, and appoints the board, its chair and the Chief Executive. The Assembly's

role is to be consulted on the LDA board and on the EDS, to inspect and approve the Mayor's budget and it may recommend some Assembly members sit on the LDA board. The London boroughs work closely with the LDA while retaining their own powers and functions to deliver regeneration programmes.

Figure 27 Economic governance structure: London
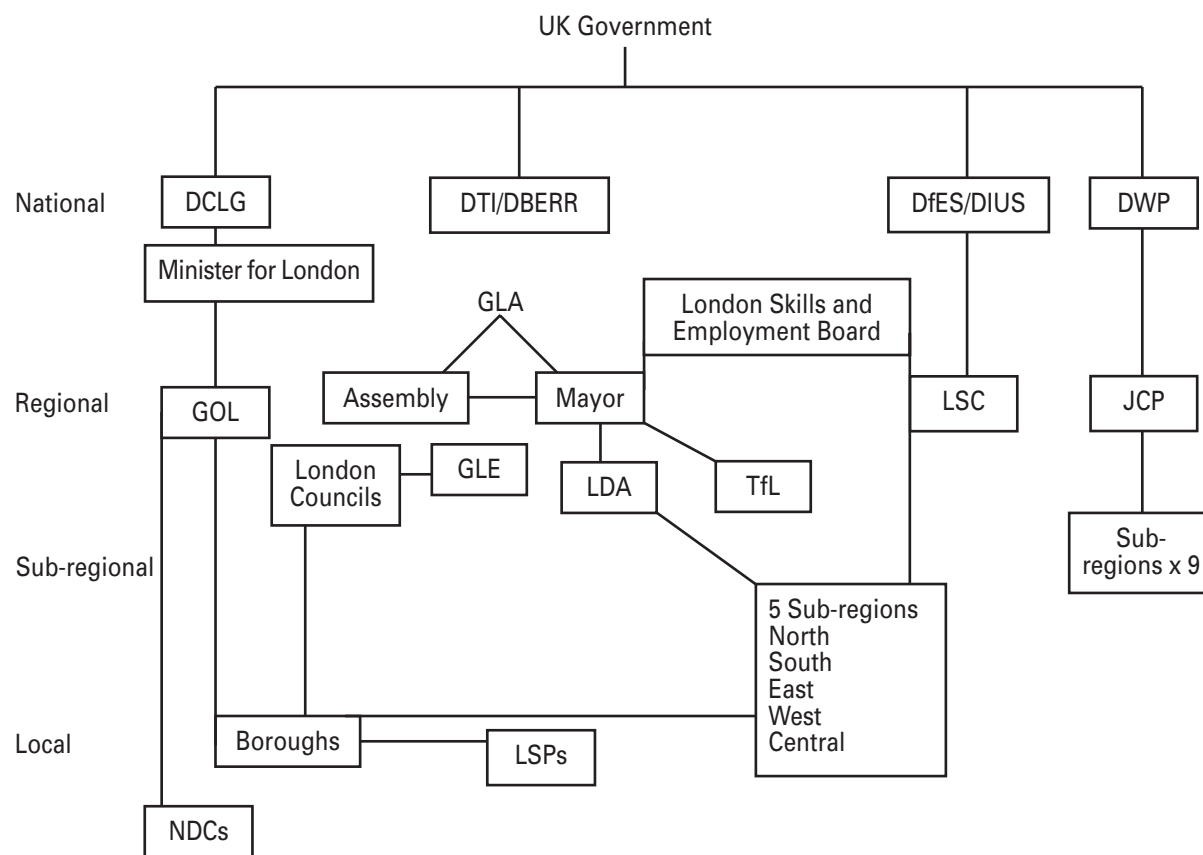
DCLG	Department for Communities and Local Government	
DfES/DIUS	Department for Education and Skills (now Department of Innovation, Universities and Skills)	
DTI/DBERR	Department for Trade and Industry (now Department for Business Enterprise and Regulatory Reform)	
DWP	Department for Work and Pensions	
GLA	Greater London Authority	
GLE	Greater London Enterprise	
GOL	Government Office for London	
JCP	Jobcentre Plus	
LDA	London Development Agency	
LSC	Learning and Skills Council	
LSP	Local Strategic Partnership	
NDC	New Deal for Communities	
TfL	Transport for London	

The Government Office for London (GOL) represents central government across the capital, delivering policies and programmes in the London region on behalf of ten central government departments. Within London, it is responsible for £308 million funding (2005–06), largely for the NDC programme and European funding, and manages the programme delivery of Neighbourhood Renewal (NR) funding for the DCLG (£339 million). In addition, the GOL is responsible for paying a range of grants (some £2.4 billion) to the GLA and Transport for London (TfL). Since the creation of the GLA, staff numbers at GOL increased as a result of responsibilities for Neighbourhood Renewal to reach a current level of 275, although this is set to fall in the future. The roles and responsibilities of GOL mirror those of other GOs; however, the existence of the Mayor and GLA mean that certain arrangements are different (e.g. unlike other RDAs, the LDA is responsible to the Mayor and GLA rather than central government). In many areas (LEGI/LAAs/European funding), close working relationships with the LDA have developed, although tensions are apparent, not least because the Mayor has made it clear that he would like control of some of GOL's activities.

London's sub-regions

The primary geographical units for implementing strategic policy at the sub-regional level are five sub-regions. These conform to the Learning and Skills Council's sub-regions and provide the basis for the sub-regional implementation of London's economic strategy. The five sub-regions currently comprise (Figure 28):

■ Central London (London Boroughs of Camden, Islington, Kensington and Chelsea, Lambeth, Southwark, Wandsworth)

■ East London and Thames Gateway (City of London, Tower Hamlets, Hackney, Newham, Redbridge, Barking and Dagenham, Havering, Bexley, Greenwich and Lewisham)

■ West London (Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon and Hounslow)

■ North London (Barnet, Enfield, Haringey and Waltham Forest)

■ South London (Bromley, Croydon, Kingston, Merton, Richmond and Sutton).

Figure 28 London's sub-regions (2006)

Source: Mayor of London (2006b) Review of London's Sub Regional Boundaries, London: GLA.

Each sub-region has a sub-regional partnership (SRP), which is focused on the delivery of the economic development strategy (EDS) within its area. The SRPs are small bodies funded by the LDA and drew up their first Sub-regional Economic Development Implementation Plans in 2006.

Sub-regional boundaries in London have recently been reviewed (Mayor of London, 2006b, 2006c). This has resulted in the Mayor proposing the creation of five radial sub-regions (North, North East, South East, South West and West) with the loss of the current central sub-region. Under these proposals, there will also be recognition of a Central Activities Zone to cover vitally important activities such as those related to government, finance, retail and culture, which are located centrally. Under current proposals (Mayor of London, 2006c), sub-regional development frameworks will be widened to integrate the Sub-regional Economic Development Implementation Plans with Transport for London's sub-regional network and relevant parts of the London Housing Strategy, and will provide a sub-regional context for Community Strategies.

West London sub-region

The strategic location of the West London sub-region (comprising the Boroughs of Hammersmith and Fulham, Brent, Ealing, Harrow, Hillingdon and Hounslow) plays an important role in the structure of the city and the wider region, particularly through the presence of Heathrow Airport. Heathrow Airport's activities are dominant and the related industrial development extremely important to the sub-regional economy. There are a number of significant industrial clusters in the area including IT, pharmaceuticals, creative industries and logistics.

West London is considered a 'relatively affluent sub-region' (Mayor of London, 2004). There are, however, a number of areas of concentrated deprivation in Kilburn, Wembley, Park Royal, White City, Hayes/Southall, Hounslow and Hammersmith. Sub-regional strategies that flow from the London Plan and EDS seek to ensure that investment into areas of concentrated deprivation is prioritised through tackling barriers to employment, reducing disparities in the labour market, addressing concentrations of disadvantage and encouraging childcare provision. In particular, disadvantaged communities should benefit from improved access to jobs, especially to 'opportunity areas'. Within the sub-region, these 'opportunity areas' (where the majority of employment and housing growth is to be concentrated) comprise Park Royal, Wembley, White City, Hayes/West Drayton/Southall and Heathrow/Feltham/ Bedfont Lakes and Willesden Junction (see Table 7).

In terms of sub-regional organisations within West London, key bodies comprise the West London Alliance, which represents the six boroughs, and West London Business, a business membership organisation that includes many of the major companies based in West London (e.g. BAA, British Airways, Diageo, BBC, etc.). These two bodies work together in the West London Partnership. In addition, there are two other major sub-regional partnerships, the Park Royal Partnership, representing employers on this major employment site, and the Southall Regeneration Partnership, now renamed the Heathrow City Partnership. Under proposed changes, this sub-region will consist of the same existing six boroughs plus the Borough of Kensington and Chelsea.

Table 7 Opportunity areas in West London – indicative estimates of growth

Opportunity areas	Area (hectares)	New jobs to 2016	New homes to 2016
Wembley	238	5,000	400
White City	30	11,000	1,200
Park Royal	470	10,000	
Heathrow, Feltham, Bedfont Lakes, Hounslow	90	5,500	900
Hayes, West Drayton, Southall, Stockley Park	371	35,000	5,800
Willesden Junction	98	3,600	500

Source: West London Partnership (2004), West London Economic Strategy, 2004.

Regional strategies and deprived localities

In considering strategy development in relation to deprived areas in London, two strategies are of particular importance: the spatial development strategy (SDS) and the economic development strategy (EDS).

Spatial development strategy (SDS)

The SDS, commonly known as the London Plan, is the most influential of the mayoral strategies, as it provides the wider framework that informs the development of other strategies including the EDS. Among the London Plan's six objectives is that of promoting social inclusion and tackling deprivation and discrimination, with the aim that, in ten years' time, 'no-one should be seriously disadvantaged' (Mayor of London, 2004), an aim that reflects the Mayor's ongoing commitment to issues of social cohesion (Mayor of London, 2002, 2003). In terms of area-based deprivation, the London Plan identifies areas of regeneration (those that suffer substantial social exclusion and economic deprivation) covering the 20 per cent of wards most deprived, as well as 28 'opportunity areas' identified as being capable of accommodating substantial numbers of jobs and/or homes (Mayor of London, 2003). More broadly, East London is recognised as the priority regeneration area, because of both high levels of deprivation and potential space for growth. The London Plan states that the boroughs should work in partnership with the LDA and the Learning and Skills Council to provide skills and access to work for those people living in the most disadvantaged areas, and also to find ways of linking deprived areas to these so called 'opportunity areas'. The SDS is currently under review and a range of alterations have been proposed (Mayor of London, 2006b). These revisions continue to prioritise North and South East London for development, with the identification of the Thames Gateway and the corridor running north to Stansted and beyond as the key development areas.

Economic development strategy (EDS)

The current EDS 'Sustaining Success', prepared by the LDA (2004), sets the strategy for the growth and development of London's economy to 2016. While the EDS is characterised by a central concern to promote the competitive success and global city status of London, the need to address issues of social cohesion is also clearly evident. Successive economic strategies have seen the need to address economic and social exclusion as a major priority, with the aim of helping people overcome the

barriers that prevent them from playing a full part in, and benefiting from, London's success (LDA, 2001, 2004).

The current EDS sets a plan of action divided into four major investment themes: places and infrastructure; people; enterprise; and marketing and promoting London (Table 8). The 'places and infrastructure' theme aims to deliver sustainable 'high quality communities and urban environments' and has projects seeking to make a difference in disadvantaged areas. This theme includes the objective to provide affordable housing, especially in the Lower Lea Valley and Thames Gateway area; invest and redevelop brownfield land; facilitate private investment into regeneration; and acquisition and redevelopment of land to deliver the 2012 Olympic Games. The 'investment in people' theme seeks to tackle barriers to employment, reduce disparities in labour market outcomes between groups and address the impacts of concentrations of disadvantage. Linked into the area strategy of the London Plan, the EDS identifies nine priority areas for intervention, which target resources to areas of deprivation with potential for development, to ensure the best use of scarce resources.

Table 8 London Development Agency budget allocation at programme level 2006–09

Investment programmes	Budget 2006/07 (£m)	Proposed budget 2007/08 (£m)	Planning budget 2008/09 (£m)
London's places and infrastructure			
Developing London's areas and sectors	43.5	58.6	58.6
Health and sustainable city	6.4	9.8	4.9
Thames Gateway and estate management	20.0	24.4	19.2
Olympic land and Olympic opportunity	102.0	441.0	129.0
Subtotal	*171.9*	*533.8*	*211.6*
London's people	32.2	32.0	32.0
London's marketing and promotion	39.9	39.9	39.9
London's enterprise	93.2	83.4	82.7
Implementation of EDS	54.4	35.0	26.9
Total programmes	*391.7*	*724.1*	*393.1*

Source: Greater London Authority (GLA) Consolidated Budget 2007–08.

Spending on deprived areas

The LDA annual budget in 2006–07 was around £390 million. However, it is set to rise dramatically to £724 million in 2007/08 because of the increased budget allocation for site preparation for the 2012 Olympics, before falling back in line with previous spending levels (see Table 8). LDA spending accounts for only a small element of total annual economic development and regeneration expenditure within London. Other significant spending comes from the London boroughs, Learning and Skills Council, Business Link for London, Transport for London and other public, private and voluntary institutions, all of which have a vital role within the EDS.

Initiatives focused specifically on deprived areas are financed predominantly via central government programmes such as the Neighbourhood Renewal Fund (NRF), the New Deal for Communities (NDC) and the Single Regeneration Budget (SRB) (up to March 2006), with additional support from European Structural Funds under Objectives 2 and 3. Under the first round (2006) of the Local Enterprise Growth Initiative (LEGI), two local authorities, Croydon (£20 million) and Barking and Dagenham (£16.5 million), received funding to increase entrepreneurial activity, grow locally owned businesses and make better use of local labour resources. From April 2007, two City Strategy pilots commenced in West London and East and South East London. These will test new ways to deliver employment and welfare services to contribute to the 80 per cent national employment target and the eradication of child poverty by 2020.

The only figures available relative to private sector investment in deprived wards (defined as the bottom 20 per cent of the IMD) are those that all RDAs were asked to produce for the Government. Table 9 indicates that, over the 2003–05 period, £556 million was invested by the private sector into deprived areas. However, the meaning of these figures is difficult to interpret given the manner in which they were produced and given issues of leakages that arise from migration, commuting and supply chains.

Table 9 Private sector investment benefiting deprived areas (£m) 2003–05

RDA	Annual target 2003/04	Annual achievement 2003/04	Annual target 2004/05	Annual achievement 2004/05
London Development Agency (LDA)	250.00	302.00	250.00	254.70
% overachievement		21		2

Source: DTI.

Skills and training

Skills and training remains a major area of concern in London with regard to ensuring both an appropriately skilled workforce and that the resident population, particularly those in disadvantaged areas or from disadvantaged groups, benefit and participate in London's economic growth. In general, London's employers demand high-level skills (at level 3 or above), yet half the workforce lacks basic numeracy. Until recently, the strategic development of skills across London was the responsibility of the LDA and the Regional Skills Partnership. The London Learning and Skills Plan (Learning and Skills Council, 2006), the first of its kind, set out priorities to improve skills performance in support of the EDS and the role of key partners in achieving this. The identified priorities comprised: improving educational opportunities for young people; tackling London's skills gap; integrating skills with regeneration; ensuring Londoners have the necessary skills to benefit from the investment associated with the 2012 Olympics; upskilling the public sector workforce; transforming the learning and skills sector through the 'Agenda for Change' programme; and improving effectiveness at the regional and local level.

As a result of the review of mayoral powers, the Mayor has a more powerful role in the skills area (DCLG, 2006). The Mayor now chairs in partnership with London's key business leaders a new London Skills and Employment Board (LSEB), which is responsible for improving the skills of Londoners. The LSEB has responsibility for preparing a new Adult Skills strategy. There will also be for London one LSC (instead of five), which will remain within the national Learning and Skills Council framework, but will be required to spend its adult skills budget according to the priorities set out in this strategy.

Other mayoral strategies and initiatives

In terms of mayoral strategies relevant to the economic needs of deprived areas, the transport strategy is of importance given its emphasis on improving public transport and particularly on reducing costs and improving the quality of bus services. In addition to the statutory strategies, the Mayor has used his office to launch a number of campaigns to raise awareness within both London and national government on a range of social issues especially pertinent to London, such as diversity, child poverty, gender wage inequality, the level of the minimum wage and affordable housing.

Despite the lack of a statutory responsibility, until recently, the Mayor has sought to lead on improving the availability of affordable housing in London through using his powers within the planning process for larger regeneration schemes, to ensure

higher proportions of affordable and social housing, and through pushing for greater powers in the development of London's housing strategy. As a result of the review of mayoral powers, the Mayor now has increased strategic powers in relation to housing (DCLG, 2006). This review has given the Mayor responsibility for the London Housing Board (previously with the Government Office for London), and he will prepare and publish a statutory Housing Strategy for London and a strategic Housing Investment Plan. The Mayor will decide the broad distribution of the affordable housing part of the Regional Housing Pot in line with this strategy. The Mayor also has enhanced powers in the area of planning as a result of this review. These enable the Mayor to direct changes to the boroughs' programmes for their local development plans and to have a stronger say on whether draft local development plans conform with the London Plan, as well as discretion to determine planning applications of strategic importance.

Key issues, challenges and barriers

Linking economic growth and social exclusion

The London context and approach

Within city-wide agencies there is a predominant view in London that economic development and social cohesion must be pursued jointly within the overall pursuit of a growth agenda that seeks to retain and enhance London's global city status. This view is rooted within a number of related arguments. First, that the major limit to London's future growth is likely to be related to the availability of an appropriately skilled labour market and therefore the development of workforce skills at all levels is essential to its future success. Second, that London's multicultural population is an economic asset (for example, as deployed in the successful Olympics bid), but also poses major challenges of community cohesion – an issue brought into particular focus by the July 2005 terrorist bombings. And, third, that there is economic and employment growth occurring within London that could be directed to meet the needs of deprived individuals and communities.

Among London actors and institutions there is a very strong acceptance that growth should be pursued and little interest in the possible redirection of growth away from London and the South East, despite the evident costs of growth to the region. This reflects the political reality of lobbying for resources for this area given investment needs and problems of deprivation, but also fears that any redirection of growth would undermine the competitiveness of the London economy and its world city status.

In recognition of the fundamental importance of issues of social cohesion, the economic development agenda in London has widened to include issues such as affordable housing, childcare, diversity and improved minimum wages for those in low-wage employment (the so called 'working poor'). Examples in this respect include the major childcare initiative run by the LDA, the 'London Living Wage' campaign promoted by the London Citizens group in collaboration with the TUC and Mayor, the current diversity campaign (with the TUC), development of fair employment clauses within procurement policies and interventions where possible to increase the level of social housing in major regeneration schemes.

The Mayor (and advisers) have played a key role in driving this wider agenda, although other social organisations and campaigning groups have also been significant, as they have recognised an opportunity to promote these agendas through the Mayor and the existence of an elected political process. This reflects the longer-term interest of the Mayor in many of these issues as well as his desire to widen his power base by extending his competencies into related areas and by being seen to be responding to issues important to London's electorate.

There are tensions between the general acceptance of the desire to combine economic development and social cohesion, and the detail over how this should be done in practice. The economic development path promoted by the LDA remains 'business friendly', with the emphasis on supporting the growth of London's high-value service sector economy and avoiding increased regulations that might frighten off business investment. The economic focus of GLE Economics is on the operation of liberalised markets with regard to high-value and high-wage knowledge sectors with much less attention to the growing low-paid, low-skill economy.

However, there is also a strong emphasis on issues of equality and social cohesion within the EDS. The approach to the promotion of this social agenda has been through voluntary actions seeking to persuade business that it is in their longer-term interests to pursue issues of higher minimum wages, equal opportunity employment, workforce development and childcare provision through a corporate social responsibility (CSR) agenda rather than via regulations to compel compliance. However, there has been an increased use of various contractual clauses in recent years related to equal opportunities, treatment of staff and 'living wages' as the Mayor has sought to advance this agenda more proactively.

Initiatives linking economic development and social regeneration

There are a number of examples where there have been active attempts to link economic development and physical regeneration with the needs of disadvantaged groups and communities. This is perhaps most evident around some of the large regeneration schemes (e.g. Kings Cross, Wembley, Heathrow and the Olympics). In part, this is in recognition of the need to avoid a repetition of the major problems experienced in the early 1980s by the London Docklands redevelopment, which, it is commonly accepted, has done little to benefit local communities. However, it is also driven by recognition that, for many of these initiatives, labour shortages in low-skilled areas are potentially damaging to their longer-term development and that, at a time of considerable growth in the London economy, there could not be a better time to attempt to integrate more marginal groups into the labour market.

Types of activity to support disadvantaged groups into the labour market typically include training for preparation into the labour market, job brokerage and support related to childcare provision and transport to places of work (LDA, 2006). The majority of activities relate to improving the ability of disadvantaged groups to compete more effectively for jobs in the labour market through getting them 'job ready' (via language training, improving soft skills related to punctuality, CV writing, interview techniques, etc.) and then providing support in linking them to jobs. An in-depth study of one such initiative, Brent in2 Work, is presented in Volume 3, Chapter 4.

Such initiatives aimed at those least able to compete within the context of strong demand for labour appear more likely to be effective when characterised by:

1   a relative high level of resource

2   clear targeting and understanding of local contexts

3   innovative and often more intensive variations on existing job-ready training and brokerage schemes

4   close links with employers and clear understanding of their needs

5   high-quality staff providing quality advice and training

6   a well developed outreach function and proactive approach

7   strong partnerships with other providers to ensure appropriate referrals/ signposting.

There are differing views concerning the importance of accredited training in terms of getting disadvantaged individuals into work. On the one hand, there is a strong view that all training resources should be focused on accredited provision from recognised training organisations to avoid the delivery of poor-quality, if often well-meaning, initiatives that lack longer-term impacts. This is the approach that has come to dominate in West London. However, others feel that this approach can lock resources into particular types of provision and limit flexibility and more innovative approaches, as well as squeeze out the role of voluntary and community organisations. Furthermore, some question what is seen as an overemphasis on skills at the expense of jobs, arguing that, in areas with high rates of worklessness, the primary focus should be getting people into work and then developing skills.

There are significant differences between deprived populations and areas that need to be reflected in policy design and delivery. For example, in West London, there are significant differences between white working-class areas (e.g. West Drayton, Hayes and Feltham) and different black and Asian minority ethnic (BAME) communities (e.g. within Brent). Other important differences relate to different waves of migration (e.g. second- and third-generation populations compared to new arrivals) and levels of transience and stability of the local populations.

There is increasing recognition that, despite strong recent employment growth in London, there is a large-scale problem of worklessness, which is strongly spatially concentrated (HM Treasury, 2007). The low employment rates characteristic of certain areas of London reflect the particularities of the London labour market, which include the large population of BAME groups, increased competition for jobs as a result of labour in-migration (particularly from the EU accession states) and a rising proportion of young people who are neither in employment nor in education. The extent to which there is an 'ethnic penalty' is the focus of considerable debate. Certainly, there are additional barriers to employment for certain ethnic groups (e.g. English language abilities, discrimination, aspirations of second- and third-generation groups), as well as different cultural practices (e.g. related to women's employment in Bangladeshi and Pakistani communities). However, to date, there are few initiatives that seek to engage directly with such issues.

Most initiatives focus on the labour market interventions previously discussed, while those focused on enterprise are less well developed. There are very low rates of enterprise start-up within certain minority ethnic groups. However, it is also apparent that there are often very high levels of entrepreneurial activity in deprived areas. Such activity is constrained because of barriers such as a lack of finance, basic training and appropriate business support (Sepulveda *et al.*, 2007).

Governance and partnership

Development of governance arrangements within London

The governance arrangements that came into being in 2000 within London are already well established, with a generalised acceptance of the need for strategic governance within London and the legitimacy of an elected Mayor and Assembly and of mayoral institutions such as the LDA.

The democratic dimension (via the elected Mayor and Assembly) is an important factor in the development of economic and social strategy in London. The LDA is a mayoral agency and its strategy and actions are clearly guided by the Mayor's political programme. The electoral legitimacy of the Mayor has provided crucial political leadership on major regeneration schemes (such as the Olympics, Wembley, Thames Gateway) as well as on a range of social issues (e.g. affordable housing, childcare, poverty, diversity, etc.).

There is a significant gap between strategy and delivery in London. While key strategies are now in place, the ability to deliver these on the ground is less evident. Despite the increased budget of the LDA, the Mayor still has limited resources to deliver directly an economic development and regeneration strategy, and is reliant on working in partnership with a network of interests. The overall LDA budget in fact accounts for only around 4 per cent of total public spending on activity related to economic development and regeneration within London when broadly defined to include areas such as transport, housing, post-16 education and training.

An important divide between the local and neighbourhood agenda (work of GOL, LSPs, LBs and Neighbourhood Renewal activities) and the regional and sub-regional economic development agenda (work of the LDA and SRPs) is also apparent. Despite the proliferation of strategy documents, there are numerous examples of programmes not linking up in practice. For example, the potential impact of ESF funding for capacity building (5 per cent of spending) is fragmented due to the separate programmes run by the LSC, GOL and London Councils (formerly the Association of London Government [ALG]).

The links between areas of growth and areas of need remain weak in practice. While such links are evident in strategy documents, in terms of realising and delivering such links there are often not enough staff on the ground to ensure activities and different levels of governance are joined up within a highly complex system. Considerable expectation is being placed currently on LAAs and LEGIs as one means of improving these linkages with regard to economic development activity.

The credibility and effectiveness of institutions and governance arrangements in London is negatively affected by very high levels of staff turnover and constantly changing structures. The LDA is commonly cited as one example of this, where high staff turnover and ongoing internal restructuring impedes engagement with other London bodies, as it is often unclear who is responsible for what, while a lack of continuity and loss of knowledgeable actors impedes progress.

The Olympics and Thames Gateway are major, long-term regeneration activities that are playing an important role in the development and implementation of London-wide strategy. The scale of these activities and the need to deliver them within a fixed time frame (Olympics) has already impacted on priorities, budgets, working arrangements and political positions. Such projects provide opportunities to break down existing barriers, for example with regard to the delivery of the skills agenda, in the need to deliver more effectively. However, they also create pressures and political difficulties, not least among other areas of London, which fear that resources will be diverted into these projects and their interests and positions will be marginalised.

Stakeholder engagement: private, voluntary and community sectors

London's governance arrangements require consultation with stakeholders and co-ordination of strategies. The development of the EDS and other strategies necessarily requires wide consultation. The Mayor and Assembly also provide channels for certain VCS organisations to lobby and scrutinise the actions of agencies such as the LDA.

Although there is some evidence of certain elements of civil society (e.g. low paid, faith groups, etc.) advancing their interests within the London political arena, this is not the case for the most marginalised and excluded groups (e.g. the unemployed, refugees, the homeless) who remain marginalised from sources of power. Given the increasing importance of BAME groups to London's growing population, there is a generally low but variable level of engagement with such groups in the governance process and often a lack of sensitivity to the needs of different ethnic groups.

Engagement with the private sector is limited and partial within regeneration activity. There are examples of relatively good levels of engagement (for example, in West London) and this often reflects partnership working over a number of years, normally with larger businesses. However, even in these cases, the private sector remains distant from decisions made in a public sector domain that often appears 'fractured'. There remain general problems of developing effective engagement with small and medium-size businesses.

The VCS has developed a significant role in many of the more deprived areas of London since the late 1990s. Representation on LSP boards is variable but significant. Certain VCS bodies are also able to pursue their interests at a London level through the existence of elected and accountable bodies. The capacity of the community and voluntary sector organisations to play a role in both strategy development and delivery with regard to linking economic and social agendas appears to be under threat in some instances because of reductions in funding streams and new contractual arrangements for these organisations, which emphasise their role as service providers.

The move towards statutory contracts that ensure continuity of funding and the 'fitness of purpose' to deliver produces a number of difficulties. First, that those VCS bodies without the necessary capacity to operate such agreements lose out on funding, despite widespread recognition that such smaller community-based bodies often play a crucial role in engaging with some of the hardest to reach groups and that their capacities need to be developed. Second, that VCS bodies are being forced into a restricted service delivery role with a potential loss of distinctive third-sector values and a reduced ability to influence political priorities and strategies.

Engagement of VCS bodies with local communities and of LBs with VCS bodies has become more complex and difficult because of the increasing population diversity apparent in many deprived areas. What has been termed 'superdiversity' creates increased fragmentation and variable capacity of community groups, which produces additional challenges for effective engagement.

Horizontal linkages

Linkages and working arrangements between various London-wide bodies are now well established. However, the complex nature of these arrangements means they are often difficult to operate. For example, working relationships between the LDA and GOL are well established, with a number of staff working on attachment between these two bodies. However, the separation of their remits for economic development (LDA) and social regeneration (GOL) and of their political control (LDA – Mayor; GOL – central government) necessarily generates different agendas and tensions. The Mayor has made it clear that he would like greater control in areas currently administered by GOL and was successful in taking control of London's housing strategy from GOL. The working relationship between the LDA and London Councils (formerly the Association of London Government) remains limited, reflecting the ongoing tensions between the London boroughs and the LDA.

In terms of the skills agenda, working relations between the LSCs and the Mayor and related institutions exist, but tensions over the development and delivery of the skills agenda in London led to the recent review of arrangements. There was widespread acceptance that the current skills agenda was overly driven by targets set by central government, which were not necessarily appropriate to the needs of the London labour market and that the Mayor should have a greater role in developing London's skills strategy. The eventual settlement does give the Mayor a lead and statutory role to promote skills and learning, particularly adult skills, through the creation of the new London Skills and Employment Board (LSEB). However, the outcome fell short of direct control by the GLA over the Learning and Skills Councils, which the Mayor pushed for (Mayor for London, 2006a).

In response to London's new government, other bodies have organised themselves at a London level in order to interact with the Mayor and GLA. In some cases, this has been the result of deliberate capacity building (e.g. the development of TUs) or, in others, a realisation that to increase effectiveness required organisation at this level (e.g. London Citizens). The existence of London government has provided voluntary groups, community groups and social solidarity organisations, as well as a variety of private sector interests, with a means by which to attempt to influence the London agenda, when previously they had to engage with either the individual London boroughs or central government.

There is currently a shift apparent within London away from area-based programmes to a more thematic pan-London focus on skills, business development, childcare, transport accessibility, etc. The nine regeneration area programmes currently account for £89 million of LDA spending, a significant fall from the previous spend of £129 million. While the LDA still recognises a role for an area-based focus, its aim is to spend this money in a more strategic and spatially concentrated manner in the future, probably around key employment sites (e.g. Kings Cross, Park Royal, the Olympics site). Such shifts reflect an attempt to strengthen the strategic role and impact of London-level institutions such as the LDA. However, they also raise questions concerning the relative priority of tackling concentrated disadvantage and the most effective means of doing this given the operation of wider processes across London related to labour markets, transport, housing, childcare etc.

The danger of a gap between city-wide agendas and agencies and local-level ones remains very real. A separation between those working on strategy at the London level and others operating at local and sub-regional level with responsibility for implementation is frequently noted by those working at these levels. In particular, the relationship between the London boroughs and the Mayor and his agencies is a tense one, with the London boroughs fearful of losing powers to city-wide agencies.

Vertical linkages

National

Despite some devolution of power to the Mayor and GLA, there remains a high level of dependence on central government policies and resources. Furthermore, London's global city status and core role to the UK economy ensures that central government takes a keen interest in its economic development. The role of central government is of fundamental importance to the development of flagship regeneration projects such as Thames Gateway and the 2012 Olympics, not least with regard to the development of funding packages for such large-scale investments.

London and the South East

Current governance arrangements separate London from the wider South East economy in which it is fundamentally embedded. While in certain high-profile initiatives (e.g. the Thames Gateway) governance arrangements have been developed across the wider development area, these are necessarily complex. There is little in the current arrangements to encourage wider regional co-operation, and the existence of differing strategies and targets combined with the complexity of engaging with different RDAs and regional structures often inhibits cross-regional working – a significant limitation where sites of job growth and potential sources of labour in disadvantaged areas cut across such boundaries. However, there are examples where attempts have been made to overcome this problem in relation to certain sites of strong job growth (e.g. Heathrow and Stansted Airports).

Sub-regional

Sub-regional institutions and development plans are now in place within London but remain weakly developed. These structures have only recently been created and are supported by a small staff (typically three to four people) and limited resources from the LDA. The LDA has sought to clarify their role in terms of a focus on co-ordinating sub-regional implementation (via the production of Sub-regional Economic Development Implementation Plans [SREDIPs]), lobbying and relevant research and data collection. However, the sub-regional level has little legitimacy within London and there remains little consensus as to the significance of this level. One major limitation is the lack of, or fragmented nature of, information and data held at this level and the difficulty of collectively managing this so it can be made easily available to a range of bodies within the sub-region.

Current proposals (Mayor of London, 2006b) will change sub-regional structures to a radial structure and will require the SREDIPs to be better integrated with transport,

housing and community strategies. This reflects a degree of recognition at the city-wide level of the strategic importance of the sub-regional level and that transport, housing and labour markets transcend local authority boundaries, however it does not involve any devolution of budgets to this level. The process of reviewing London's sub-regions did create a considerable degree of uncertainty related to the future operation of some sub-regions.

Certain sub-regional partnerships are better established, notably in the Thames Gateway and West London. In the case of West London, this reflects some degree of past sub-regional working, aided by a relatively coherent geographical area, past common party political control at the borough level and the presence of a significant number of large companies.

The shift of London to the east through the major Thames Gateway and Olympics projects has created considerable political tension with other sub-regions, which voice fears that these areas will dominate priorities and pull in staff and resources from other parts of London. For example, in West London, the relative lack of disadvantaged areas compared to East London produces a challenge to ensure that those areas of disadvantage that are recognised statistically, as well as smaller pockets of deprivation hidden by relative affluence elsewhere at ward level, remain a political priority.

Major regeneration projects

With a shift towards a more thematic approach to London's economic development, major regeneration projects (Wembley, Olympics, Kings Cross, Heathrow, etc.) increasingly provide the focus for 'wrapping around' activities that seek to promote employment and social inclusion. It is in relation to these initiatives that some of the better co-ordinated and more innovative approaches to linking economic growth with residents from deprived areas are apparent. In this respect, the Olympics will provide an interesting test case concerning the scale, scope and effectiveness of such 'wrap-around' initiatives.

Examples of better linkages between economic development and social inclusion agendas in major projects in part reflect that such developments require the existence of a lead agency and clear working arrangements ranging from the regional to local level to take forward the overall regeneration project. With larger projects it is also easier to get the 'buy-in' of a range of local actors and a stronger political imperative exists to ensure their success, given their higher level of visibility. Finally, potential labour shortages for the lower-skilled jobs being created by such

developments within the London labour market have also helped to ensure greater attention is paid to local labour supply issues.

Local authorities

The London borough councils (LBs) are major actors within London, with the powers of the Mayor limited in his dealings with them. Over recent years the influence of central government policies, funding and institutional arrangements has produced reduced interest in local economic development activity at a local authority level and a stronger focus on the neighbourhood renewal agenda, a balance also apparent within LSPs. However, some London boroughs have maintained a greater economic development function. The current LEGI initiative has re-emphasised the role of local authorities in economic development, as well as demonstrating ongoing tensions between local authorities and the LDA over their relative responsibility for economic development activity.

Conclusions

The economic development agenda in London clearly recognises the importance of issues of social exclusion and the problems caused by concentrated disadvantage. Strategy documents place an important emphasis on promoting the increased economic integration of disadvantaged groups and areas. This emphasis partly reflects the particular features of the economic growth model of London that combines strong economic performance with considerable income and spatial disparities. In addition there is growing concern over issues of community cohesion within an ever more diverse population. Yet the profile given to issues of social deprivation also clearly reflects the existence of an elected Mayor and Assembly. The Mayor himself has a long-standing commitment to issues of equality and social justice, and the balance of political power in London has favoured left of centre politics. The nature of the elected process for the Mayor and Assembly requires attention to the demands of the electorate, while different interest groups can put pressure on the Mayor via the Assembly and other channels.

The particular governance arrangements in London provide the Mayor with considerable agenda-setting and political resources (Greer and Sandford, 2006). In contrast to other English regions, these powers have provided the Mayor with the legitimacy to take forward the economic agenda in London into areas where he lacks statutory powers and have enabled arguments to be made for further mayoral

powers. The increased formal role in the areas of skills, housing and planning as a result of the recent review of the Mayor and Assembly's powers, as well as initiatives in areas such as childcare and a 'living wage', clearly demonstrate this process.

Yet London's governance settlement provides very little in the way of organisational and financial resources, and requires the Mayor to be a lead partner in a network of interests. This is evident in the tiny size of the LDA budget relative to overall public and private sector investment in regeneration activity in London. The huge financial investments required for transport infrastructures, the Olympics, Kings Cross, Thames Gateway, etc., and the need to tackle substantial problems of social deprivation, ensure important governance roles for the private sector, central government bodies and the London boroughs. They also ensure that the tensions between economic development and social exclusion agendas present within national government departments and policies are reproduced within London. The resulting governance arrangements within London are intensely complex and have produced an abundance of strategy making and only weak delivery – the latter not helped by high staff turnover that has further exacerbated the short-termism endemic in economic development and regeneration activity nationally.

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London Development Agency – Regeneration Project Manager

London Development Agency – Head of Skills and Employment

London Development Agency – Head of North and West London Regeneration

Government Office for London – Head of Neighbourhood Renewal

Southern and Eastern TUC – London Project Officer

Association of London Government (ALG) – Head of Policy and Grants

London Citizens – Organiser

West London Business – Chief Executive

West London Alliance – Director

London West Learning and Skills Council – Executive Director

Park Royal Partnership (PRP) – Director of Project Delivery

Southall Regeneration Partnership – Chief Executive

London Borough of Brent – Assistant Director for Regeneration

Brent Employer Partnership – Chair and Project Manager

South Kilburn New Deal for Communities – Chief Executive

Brent Association for Voluntary Action (BRAVA) – Training and Development Officer

Community Recruitment Programme (Hammersmith and Fulham) – Project Manager

5 Scotland

Introduction

Institutional and policy legacies in Scotland have involved a particular 'Scotland' dimension to administration – as Keating (2005, p. 454) observes: 'Scotland has enjoyed a large degree of autonomy through its administration agencies and civil society'. An example of such a different approach prior to devolution in 1999 relates to economic regeneration, with the Scottish Development Agency formed in the mid-1970s with finance and powers to undertake larger-scale economic regeneration projects and subsequently Scottish Enterprise. The latter has spearheaded an economic development strategy that gives more weight to promoting growth in key sectors and technological innovation.

Since devolution, the Scottish Executive (now the Scottish Government), has taken a different approach to regeneration than in England through the Local Government in Scotland Act (2003), which established a framework facilitated by local authorities for *all* stakeholders to participate in Community Planning Partnerships. In the period during which this study was undertaken, the Scottish Executive has instigated a number of developments and changes in order to provide a more focused and co-ordinated approach to regenerating deprived areas. Spatial targeting of resources is being increasingly determined through Regeneration Outcome Agreements (ROAs), which set the priorities for regeneration funding (the Community Regeneration Fund) in deprived areas. They are closely linked to the Scottish Executive's goal of 'closing the opportunity gap' within Scotland by reducing social and economic inequalities, and to the strategies of the two key economic development agencies, Scottish Enterprise and Highlands and Islands Enterprise. The most recent and significant developments from the Scottish Executive are 'Workforce Plus', which in effect comprises the 'employability strategy' for Scotland, and 'More Choices, More Chances', which is aimed at reducing the number of people not in employment, education or training (NEET). The recent Scottish elections in 2007 and emergence of a minority-led SNP Government may lead to further changes.

This chapter draws on evidence from a number of sources. As well as the use of official statistics relating to various measures of economic performance and deprivation for our discussion of the economic and governance context (see next section), it will draw on a number of recent reports and strategies concerned with different aspects of Scotland. However, the main source for much of the discussion of the issues relating to this research (see section on 'Challenges and barriers' later in

this chapter) will be the interviews that were conducted between November 2005 and May 2006 with representatives of a range of organisations operating at various spatial levels. Due to logistic and resource considerations, face-to-face interviews were geographically concentrated in the Glasgow and Edinburgh conurbations. However, a reasonable geographic spread was obtained through telephone interviews, where it was possible to obtain the perspectives of regeneration practitioners in the Highlands and Islands region. This was particularly important given that a new Scottish Index of Multiple Deprivation (SIMD) was being published in 2006 and had quite considerable implications for urban and rural funding regimes relating to deprived localities. In this way, it is considered important to capture the debates about the implications of this review from the various urban and rural perspectives.

Nine face-to-face interviews were carried out with organisations operating at the national and city scales, including the Scottish Executive, Scottish Enterprise, Communities Scotland and Jobcentre Plus. In addition, nine telephone interviews were conducted with representatives of other organisations, including Highlands and Islands Enterprise, Glasgow City Council and the Scottish TUC (see full list at the end of the chapter). Further insights come from a workshop held in July 2006 and hosted by Communities Scotland, which involved eight representatives from the various interviewed organisations. This provided an opportunity to take the discussion of issues further and to take on board some of the latest policy developments.

Economic and governance context

Economic challenges

The Scottish economy grew by 12 per cent between 1999 and 2005 but at a slower pace than the UK as a whole, which grew at 17 per cent. Scotland has also underperformed in some key sectors, particularly manufacturing, which declined compared with the UK. In fact only two of Scotland's manufacturing sectors – food and drink and chemicals – grew over this period, while there was a 30 per cent contraction in electronics and a corresponding decline in textiles and transport equipment.

In terms of productivity – output produced per hour of work – Scotland's rate was 2 per cent lower than the UK's and also lower than in other competitor countries. Figure 29 shows gross value added (GVA) per head and underlines the gap between Scotland and the UK.

Figure 29 GVA per head in the English regions, Wales and Scotland
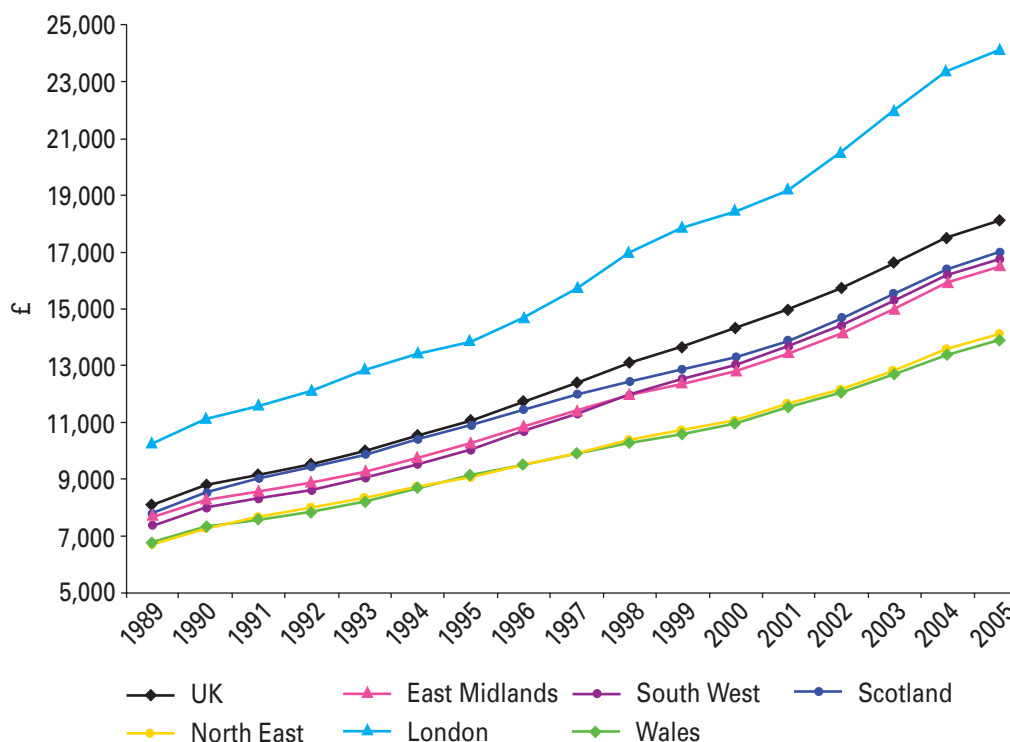
Source Office for National Satistics.

Another measure of performance is new business formation or entrepreneurship, which can be defined as a 'desire and ability to build and develop new businesses'. As Figure 30 shows, Scotland is well below the UK average for business start-ups and, in 2004, there were 29 VAT registrations per 10,000 adults in Scotland compared to 59 in London and 44 in the South East of England.

One encouraging feature of the Scottish economy is the fact that the workforce is highly qualified compared to the UK as a whole. In 2005, over 30 per cent of working-age people held some form of higher education qualification compared to 26 per cent in the UK.

Figure 30 VAT registrations (all industries) as a percentage of the end-of-year business stock
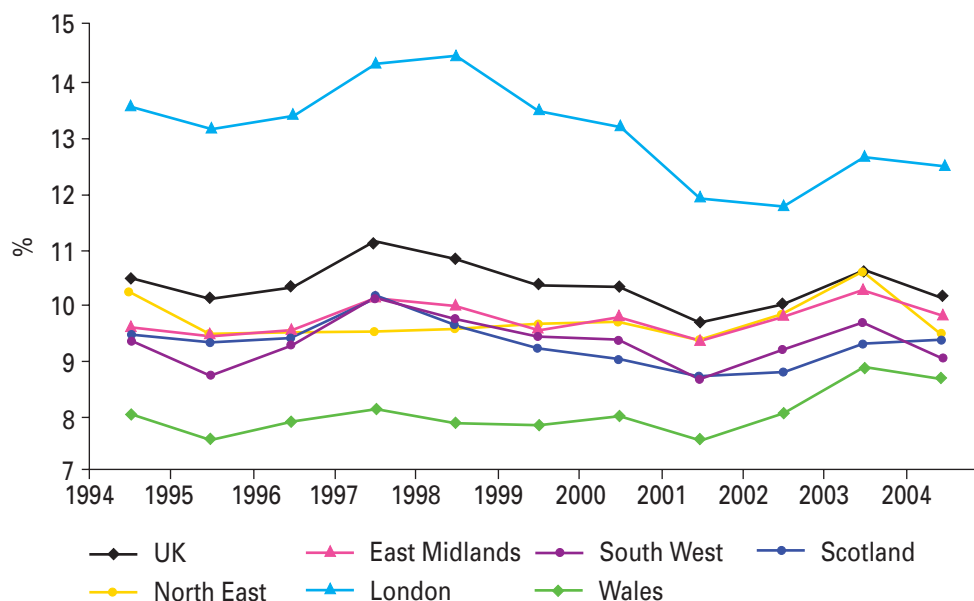
Source: Office for National Statistics.

Inequality and deprivation

Whereas the employment rate in Scotland was below the UK average in 2001 (73.3 per cent compared to 74.3 per cent), by 2005 it had reached the UK average (74.6 per cent compared to 74.4 per cent) (Figure 31). This was accompanied by a trend towards a reduction in unemployment in Scotland (running at around 150,000 in 2005 – 50,000 fewer than in 1995), although the unemployment rate in 2005 remained above the UK average (5.9 per cent compared to 4.7 per cent). There were, however, a further 500,000 working-age jobless people in Scotland in 2005 claiming one or more key benefits. The numbers counted as sick and inactive have increased by over 9,000 since 1995. Four-fifths of long-term working-age claimants on out-of-work benefits are sick and disabled and one-third of these are under 45 (Figure 32).

Figure 31 Employment rate
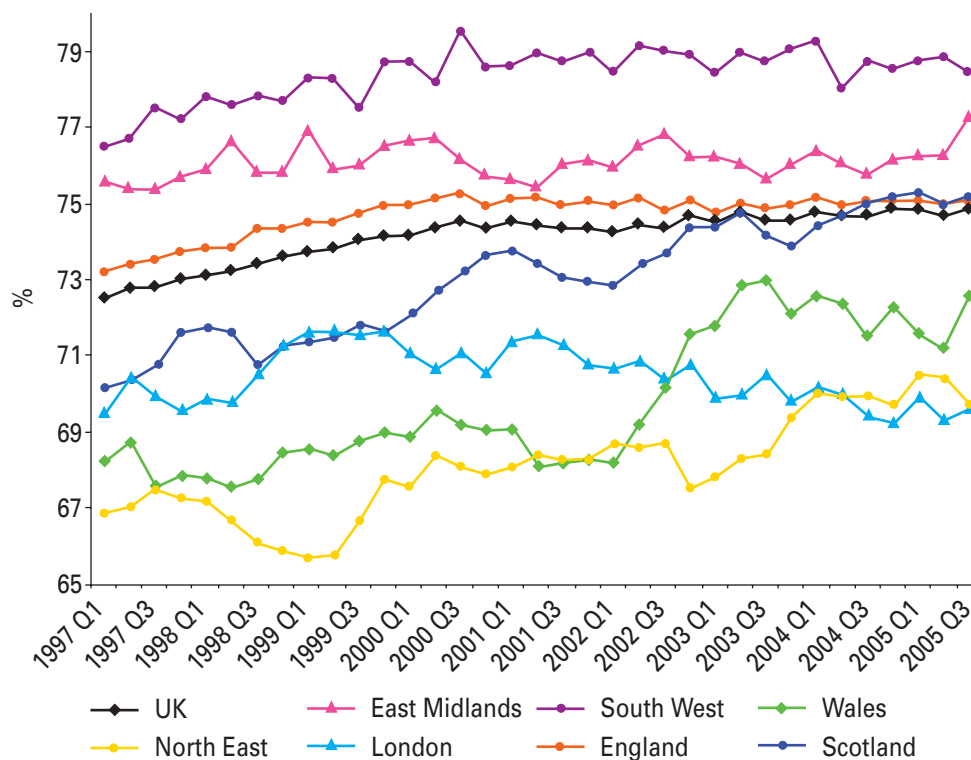
Source: Office for National Statistics.

Figure 32 Benefit payment (incapacity benefits/severe disablement allowance) as proportion of inactive population in the UK
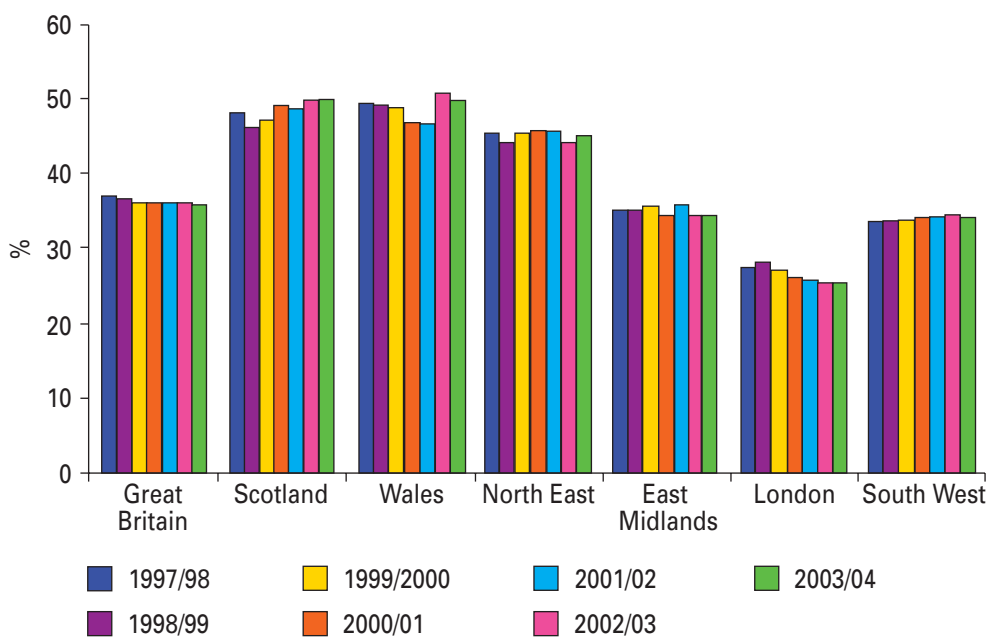
Source: Department for Work and Pensions.

A recent Joseph Rowntree Foundation Study (Palmer *et al.*, 2004) found that two-fifths of people in low-income, working-age households now have someone in paid work. Low income is defined as 60 per cent of median income, with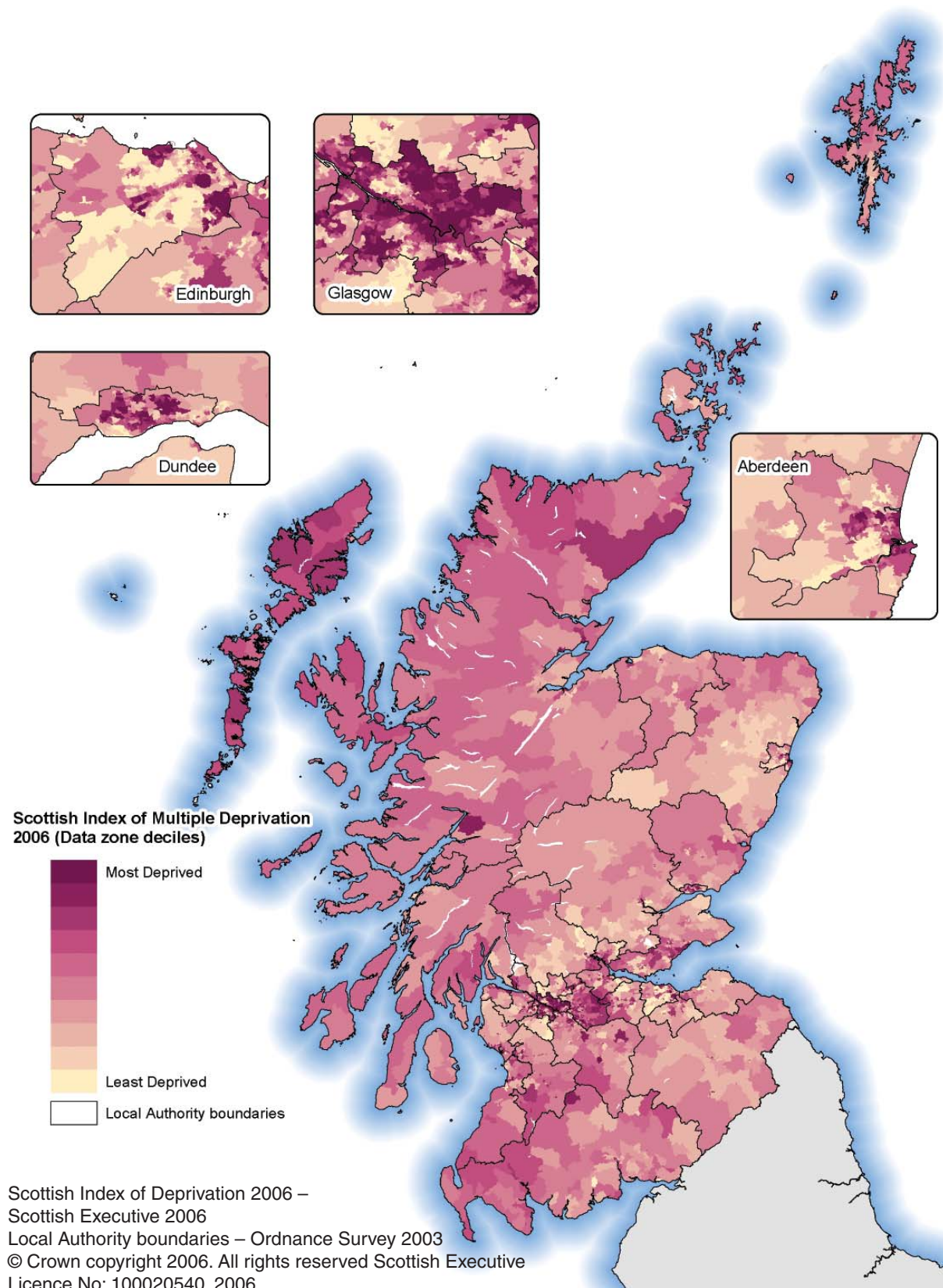 income levels adjusted to household size and composition. About one-third of all workers in Scotland are paid less than £6.50 an hour, with two-thirds of these being women. A risk of low pay is much greater for those with no educational qualifications and substantial numbers of young adults with poor or no qualifications. Significant numbers of adults are leaving the education system with poor or no qualifications: 6 per cent of 19 year olds have no qualifications; a further 16 per cent lack SVQ2 or equivalent (Palmer *et al.*, 2004).

Jobs at the bottom of the labour market are often insecure, with almost half of men and a third of women who find such work no longer having that work six months later. Pension provision also tends to be worse, with 60 per cent of working adults in the poorest fifth not contributing to a non-state pension, compared with 40 per cent in the middle fifth and 20 per cent in the richest fifth.

In the case of Glasgow, there were 105,000 residents of working age who were economically inactive in 2005, out of a working-age population of 382,000 (i.e. 28 per cent compared to 20 per cent in Scotland as a whole). In relation to the geographical concentration of worklessness in the city, one interviewee explains that many people (predominantly men) who lost their employment in manufacturing during the 1980s dropped out of the labour market altogether rather than retrain for service sector employment. However, the pace of change in Glasgow has been such that the growth in employment in recent years has been mainly in the knowledge economy part of services, with professional and managerial jobs now comprising a third of all jobs (compared to 18 per cent in 1981), whereas many residents are still coming to terms with entering the formal labour market. Research by Glasgow City Council indicates that at least a third of the economically inactive could and would like to work.

There are marked spatial concentrations of poverty and deprivation in Scotland, as shown by the Scottish Index of Multiple Deprivation (SIMD), which ranks all Scotland in areas of around 750 people called data zones (6,505 of them in total), from the most to the least deprived (Figure 33). The highest concentration of deprivation is to be found in Glasgow where 48 per cent of the city's population live in the 15 per cent most deprived data zones in Scotland, although this is down from 54 per cent in the 2004 Index. Other local authorities that have a large proportion of their population living in the most deprived data zones are Inverclyde (38 per cent), Dundee (30 per cent), West Dunbartonshire (28 per cent), Clackmannanshire (23 per cent) and North Lanarkshire (20 per cent).

Figure 33 Scottish Index of Multiple Deprivation 2006

Scottish Index of Multiple Deprivation 2006 –
Scottish Executive 2006
Local Authority boundaries – Ordnance Survey 2003
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Licence No: 100020540. 2006

Source: Scottish Executive.

Governance in Scotland

National level

At the national level, the Parliament has legislative and scrutiny functions, while the Scottish Executive is effectively the Government in relation to devolved powers and contains a number of agencies responsible for regeneration. A key agency within the Executive is Communities Scotland, which draws heavily on deprivation indicators to target resources at the most deprived communities. The Executive has also instigated the Community Planning Partnerships (CPPs). Targets are established through Regeneration Outcome Agreements (ROAs), which form the basis for regeneration funds (the Community Regeneration Fund [CRF]) allocated to CPPs. Communities Scotland is responsible for the management of the ROAs and CRF as well as housing investment in relation to social housing. Within the Communities Scotland portfolio is the Scottish Centre for Regeneration, which both promotes good practice and develops skills for people involved with regeneration projects and programmes (see Figure 34). Communities Scotland also has responsibility for promoting and developing the social economy. The future of the agency has been questioned, however, by the new SNP-led Scottish Government.

Also at the national level is Scottish Enterprise (SEn) and Highlands and Islands Enterprise (HIE) – the Scottish development agencies primarily responsible for implementing the national economic strategy 'Smart Successful Scotland.' As non-department public boards, SEn and HIE are each supervised by a chairman and a board appointed by Scottish Ministers whose non-executive directors have collective responsibility for the control and management of the bodies. SEn tends to be at arm's length from the Scottish Executive, having its own budget and, in the words of one interviewee, 'taking its time in adjusting to the post-devolution world'. Also at the national level is the DWP Scotland, which is under UK government control although there is a memorandum of understanding about joint working and consultation.

Figure 34 Economic governance structure: Scotland
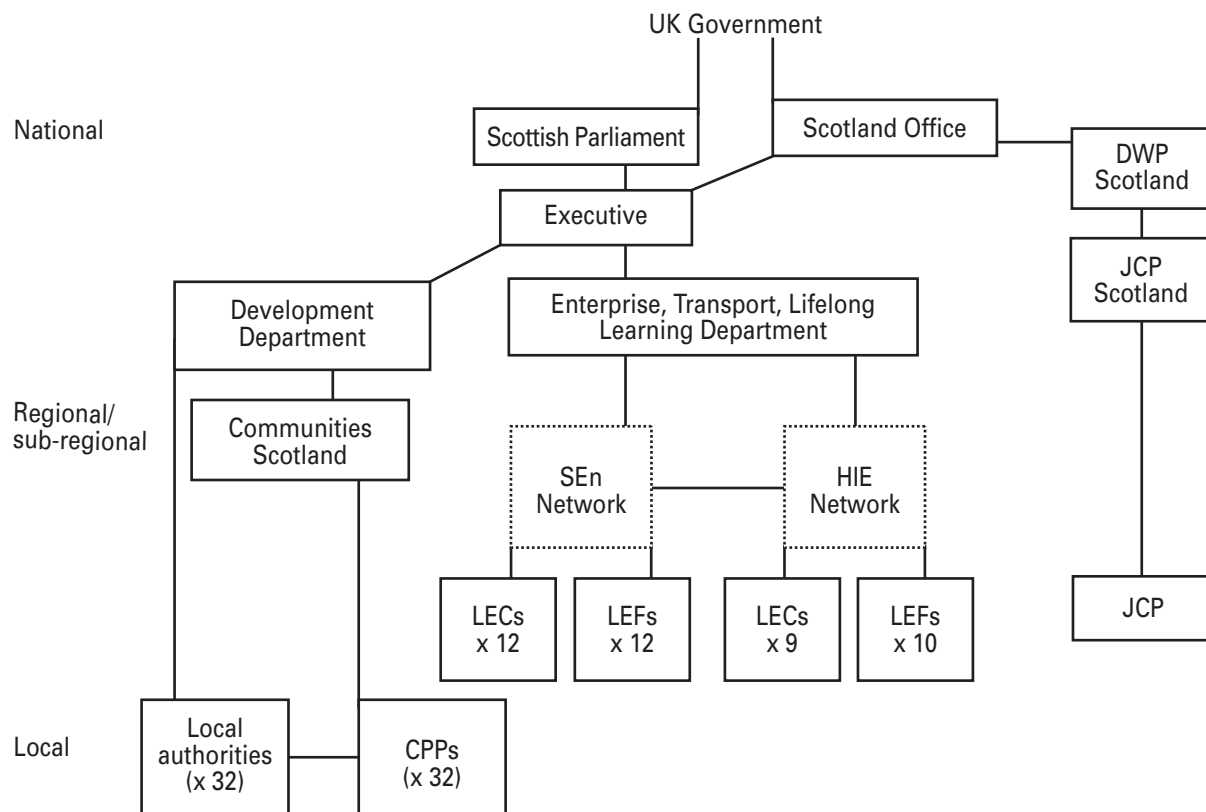
CPP   Community Planning Partnership
DWP   Department for Work and Pensions
HIE   Highlands and Islands Enterprise
JCP   Jobcentre Plus
LEC   Local Enterprise Company
LEF   Local Economic Forum
SEn   Scottish Enterprise

Sub-regional level

SEn and HIE operate through a network of Local Enterprise Companies (LECs), (12 of them in the case of SEn and nine in the case of HIE). They have independent boards of directors, including representatives of private businesses in their areas and members from each of the local authorities in the LEC area. The LECs are the first point of contact for businesses and individuals who are looking for assistance and advice from SEn or HIE. Their role is to provide a range of services, including a Business Gateway (which is contracted out) for business start-up and business growth, access to advice and assistance, access to training and infrastructure support.

Local Economic Forums (LEFs) are about resolving overlap and duplication in local economic development through improved partnership working. There are 21 Forums in Scotland, their membership comprising a wide range of public, private and voluntary agencies/bodies. Each Forum brings partners together and has a local Action Plan. In some ways the LEFs combined with the LECs are potentially the main vehicles for shaping regional economic development in Scotland.

City regions are being promoted by the Scottish Executive as agents of economic growth. Concentrated mainly in Glasgow, Edinburgh, Aberdeen, Dundee, Stirling and Inverness, city regions involve the coming together of the city councils and immediate adjacent local authorities. It is difficult to gauge how effective they are going to be and how the area regeneration agenda is going to slot in. The city region push in Edinburgh has been about the recognition of the labour market and travel to work areas across the city boundaries.

In its response to the Cities Review, *Building Better Cities – Delivering Growth and Opportunities* (Scottish Executive, 2003), the Executive set out a strategic initiative around urban regeneration including:

- £90 million over the next three years to support growth and opportunities through a new City Growth Fund

- strategic city-region agreements, to be known as the 'City Vision', to set the priorities for using the City Growth Fund, created in partnership with Community Planning Partnerships (CPPs) and other key stakeholders.

City/local authority level

The Local Government in Scotland Act (2003) established a statutory framework of duties for all stakeholders (not just local government) to participate in the Community Planning Partnerships (CPPs), there being one for each of the 32 local authorities in Scotland.

Partners include NHS boards, SEn, HIE, the police, joint fire boards and passenger transport authorities. The CPP has a statutory duty to engage communities. The CPPs cover the whole of Scotland and not just deprived areas, although they are a key vehicle for bidding for regeneration funding – the Community Regeneration Fund (CRF) – and formulating Regeneration Outcome Agreements (ROAs) as a basis and framework for spending the money. Funding is allocated on the basis of the Scottish Index of Multiple Deprivation (SIMD) (see also below).

Strategies and deprived localities

National Economic Strategy

In addressing the challenges relating to the Scottish economy, the economic strategy of the Scottish Executive, 'Smart Successful Scotland' (SSS), has three principal goals.

1   Growing business: this includes promoting a culture of enterprise and businesses of scale, increased commercialisation of research and promoting e-business.

2   Global connections: increasing involvement in global markets through a global companies programme, developing international connections through 'Broadband for Scotland' and improving infrastructure and promoting attractive locations (e.g. Clyde Waterfront).

3   Learning and skills: a workforce development skills programme through modern apprenticeships, improving matching of skills and demand through the Future Skills Unit. More focused approach by Careers Scotland for employability of young people.

The economic strategy also confirms the Executive's commitment to:

> … closing the gap in opportunities and quality of life between different groups and areas within Scotland, strengthen communities and promote equality of opportunities.
> (Scottish Executive, 2006a)

However, 'closing the opportunity gap' does not feature strongly in the latest operating plan of Scottish Enterprise (SEn) covering the 2005–08 period (Scottish Enterprise, 2005). Instead, it is focused almost entirely on transforming Scotland's economic prospects as a whole and on the need to bridge the gap with other OECD countries, with relatively little consideration of how to include and involve the most deprived and excluded. An interviewee from SEn explained that SEn wants to contribute to 'closing the opportunity gap', but that this has been subordinated to the pursuit of national economic goals. SEn's strategy is essentially about how to achieve a competitive Scottish economy within the global economy, focusing primarily on developing growing businesses and promoting a culture of enterprise, increasing involvement in global markets and promoting locations that are likely to be attractive to inward investment, and developing the skills and learning performance of the

workforce to achieve a better match with employers' needs. It is only in relation to closing the gap in employment that SEn's strategy focuses on those at the margins of the labour market, proposing to launch an investigation into how the predicted 45,000 jobs that will be created by its 'competitive place investment plan' can provide opportunities to disadvantaged individuals and groups. At the time of the research, SEn was in the process of developing the LOAN Framework (Linking Opportunities and Need), the primary purpose being to help excluded people who are ready to work to engage with the labour market and gain access to the employment opportunities created by major economic development and regeneration projects.

National employability strategy – Workforce Plus

Workforce Plus (WP) is Scotland's Employability Framework, the primary objective of which is to improve performance of services and policies in the movement of people from welfare to work. As the WP report (Scottish Executive, 2006b) highlights:

> The concept of employability involves the connection of all those specialist services and employment services in a coherent framework which promotes the long term progression by individuals into and through employment.

A core element of WP is spatial targeting in relation to areas with the highest concentration of worklessness. Local Employment Partnerships in Glasgow, North and South Lanarkshire, Dundee, Renfrewshire, Inverclyde and West Dumbartonshire have been required to set targets to reduce the number of workless people, and the development of their action plans and lessons learnt will be used to assist other areas to develop a coherent range of labour market services.

WP actions will include the following.

- Locally agreed targets for reducing the number of people dependent on work-related benefits in seven priority areas with the highest number of workless people.

- Additional funding of £11 million for 2007–08 for target employability areas to implement local action plans. These will be taken forward by local employment partnerships made up of key agencies including NHS boards, Local Enterprise Companies and local authorities.

■ Increased engagement with businesses through advisory groups, trade unions and others to build the role that employers, both public and private, play.

Not in employment, education or training (NEET) strategy – 'More Choices, More Chances'

The overarching aims of the strategy's approach are to:

■ stem the flows of young people into the NEET category – those who are not in employment or education – focusing on prevention rather than cure

■ have a system-wide (pre- and post-16) focus on, ambitions for, ownership of – and accountability for – the NEET group

■ prioritise education and training outcomes for the NEET group as a step towards lifelong employability, given their low attainment profile

■ position NEET reduction as one of the key indicators for measuring the pre- and post-16 systems' success.

The strategy presents a range of specific actions aimed at achieving the 'closing the opportunity gap' target 'to reduce the proportion of young people not in education, employment or training by 2008' (Scottish Executive, 2006c). Seven NEET hotspot areas are identified (Glasgow, West Dunbartonshire, North Ayrshire, East Ayrshire, Clackmannanshire, Inverclyde and Dundee) where NEET is a particular challenge and where reducing NEET locally would make an impact at the national level.

Social justice strategy – 'Closing the Opportunity Gap' (CtOG) and regeneration of deprived areas

Between 1999 and 2004, the Scottish Executive tackled poverty and social disadvantage through its social justice strategy. In 2004, the social justice strategy was updated to provide a clearer focus on the most pressing problems of poverty and disadvantage. The 'Closing the Opportunity Gap' strategy was launched in 2004 and involved the following key objectives (Scottish Executive, 2004):

■ reduce in-work poverty by providing skills and ensuring support for training and progression

- reduce health inequalities, especially in relation to heart mortality

- ensure integrated health and education support for children who need it

- increase the average tariff score for the lowest attaining 20 per cent of S4 pupils

- ensure that at least 50 per cent of all people in care have entered employment, education or training

- improve service delivery in rural areas so that there are improved communications for disadvantaged communities

- promote community regeneration in terms of improvements in employability, health and access to local services

- increase availability of appropriate financial services and money advice to disadvantaged communities.

Since 2004, a key mechanism for regenerating deprived areas is through the operation of the Community Regeneration Fund (CRF). The CRF involves a budget of £318 million over the 2005–08 period and is managed through the Regeneration Output Agreements (ROAs). ROAs seek to focus the Community Regeneration Fund and the resources of local partners on the achievement of specific outcomes for deprived neighbourhoods.

More recently, the Executive has published a regeneration policy statement, *People and Place* (Scottish Executive, 2006d), which emphasises the importance of economic and physical regeneration, and of connecting deprived neighbourhoods to opportunities in the wider economy. The statement also identifies the Executive's national priority for regeneration (the Clyde Corridor and the Clyde Waterfront and Gateway initiatives) and two regional priorities (Ayrshire and Inverclyde). These areas are characterised by high levels of deprivation but also potential economic opportunities for transformation. The allocation is proportioned so that most (two-thirds) of the CRF goes to the most deprived 15 per cent of these data zones and the remainder goes to those CPPs with above-average concentrations of data zones in the most deprived 15 per cent in their area.

The Community Planning Partnerships (CPPs) that are responsible for implementing ROAs have to state the level and nature of community involvement, and also specify other funding streams that will be packaged with CRF monies. This process applies to CPPs at the local authority level and those at the neighbourhood level.

Given the ROA and services targets, the CPPs have used the CRF as a vehicle for developing employment strategies in partnership with other agencies – particularly Jobcentre Plus. Indeed, in some areas, this has led to the development of Employability Frameworks, which provide a strategic focus on providing the necessary support services that will facilitate access for the economically inactive.

Summary of funding allocations and deprived areas

In 2005/06, the Scottish Parliament's Finance Committee conducted an inquiry into deprived area expenditure (Scottish Parliament, 2006). As part of its evidence, the Committee found that there are '10 different funding streams spread over five departments and agencies' in Scotland, which target areas of deprivation. In addition to this, 'the core budgets of local government and the health services provide services that have a significant impact on multiple deprived areas'. There is also the European money and funds sourced from the Department for Work and Pensions (e.g. Jobcentre Plus).

Table 10 shows the funding streams that target multiple deprivation at a neighbourhood level and that meet one or more of the following criteria:

a   explicitly targeted at areas of multiple deprivation – i.e. their primary purpose is to tackle one or more causes or symptoms of area-based multiple deprivation

b   allocated wholly or partly to delivery bodies using a measure of area-based deprivation (e.g. SIMD04, Carstairs, etc.) in the distribution formula

c   eligibility for funding determined by whether the service/project is within a defined deprived area (e.g. eligibility for Post Office Fund)

d   policy/funding guidance or grant conditions place significant emphasis on the need to target the most deprived areas.

Table 10 Programmes/funding streams targeted specifically at areas of multiple deprivation

Funding stream	Purpose	Deprivation criteria (a)–(d)	Budget (£m)
Community Regeneration Fund (CRF) (Communities Scotland)	To help, along with the resources of community planning partners, regenerate the most deprived neighbourhoods through the development and delivery of Regeneration Outcome Agreements (ROAs).	All	318 (2005–08)
Community Voices (Communities Scotland)	To support CPPs, in the context of their ROA, to deliver community engagement in the most deprived neighbourhoods.	All	9.8 (2005–08)
Affordable Housing Investment Programme (Communities Scotland)	To create decent and affordable housing for everyone in Scotland by providing new and improved housing, primarily in disadvantaged communities, and by helping people on low incomes rent social housing or buy a home in areas where demand exceeds supply, or where market prices are beyond the reach of their incomes.	All	1,268 (2005–08)
Fund to develop post offices in deprived urban areas (Communities Scotland)	To contribute to the regeneration of deprived urban areas by sustaining and improving post office branches, on the margins of viability, that provide socially important services and facilities, and that act as an 'anchor' for other retail activity.	(a), (c) and (d)	2 (2003–06)
Housing Estate Regeneration Fund (Communities Scotland)	To assist councils in delivering affordable housing and related environmental projects.	(d)	50 (2005–08)
Pilot studies for unmet need (Health Dept)	To improve access to healthcare among the most deprived communities.	All	15 (2004–06)
Working for Families Fund (Development Dept)	To help parents in deprived areas and groups into work by ensuring that availability of childcare is not a barrier to entering education, training or employment.	(a) and (d)	35 (2005–08)
Supporting People (Development Dept)	To provide good-quality services, focused on the needs of users, to enable vulnerable people to live independently in the community, in all types of accommodation and tenure.	(b)	1,208 (2005–08)
Tackling antisocial behaviour (Justice Dept)	For 2004–06 to provide funding for community wardens and other services to support people affected by antisocial behaviour (ASB). For 2006–08 to support priorities identified by local authorities and their community planning partners in consultation with local people as part of their ASB strategies.	(b)	90.2 (2005–08)

(Continued)

Table 10 Programmes/funding streams targeted specifically at areas of multiple deprivation (Continued)

Funding stream	Purpose	Deprivation criteria (a)–(d)	Budget (£m)
Changing Childrens Services Fund (Education Dept)	To support local authorities, health boards and voluntary organisations in working in partnership to deliver better outcomes for the most vulnerable and disadvantaged children through more effective and integrated service delivery. The Fund is intended to improve services and support for the most vulnerable, whether addressed in terms of support for more disadvantaged communities, groups or individuals.	(b) and (d)	196.5 (2005–08)

Source: Scottish Parliament (2006).

Other relevant strategies

Urban Regeneration Companies

Following the Regeneration Policy Statement, the Executive's three Pathfinder Urban Regeneration Companies (URCs) in Stirling, Edinburgh and Clydebank have been joined by new URCs in the Executive's priority areas of Clyde Gateway, Inverclyde and Ayrshire. URCs are in their early stages and it is difficult to assess how far they will fulfil their intentions to engage a holistic approach that links economic, social and physical regeneration. However, it is clear that the Executive sees them as a key vehicle for economic regeneration.

Local housing strategies

Local authorities are responsible for producing local housing strategies and these are potentially important vehicles for economic and social regeneration. The strategies incorporate, for example, affordable housing, decent home programmes, and skills and training in the construction industry.

Key issues, challenges and barriers

Economic strategy and deprived areas/communities – linking economic and social policies

There seems to be some broad consensus among stakeholders that the links between economic regeneration and social inclusion could be strengthened. Implicit in the 'Smart Successful Scotland' (SSS) strategy is the split between economic development and social inclusion policies. This means in practice there is a need to strengthen the linkages between SSS (as well as major regeneration programmes) and other cross-cutting policy objectives, i.e. social justice and tackling poverty.

According to interviewees, the national economic growth and performance agenda has become more predominant within Scottish Enterprise in recent years, with three-quarters of its funding now going to national-scale projects. Much less emphasis has been placed on reducing disparities within Scotland and addressing the Executive's 'Closing the Opportunity Gap' objectives. To quote from one interviewee, 'economic development professionals within Scottish Enterprise are not comfortable with the concept of poverty'. In the case of Highlands and Islands Enterprise, on the other hand, there is a stronger integration between economic and social development, with a particular emphasis being placed on initiatives concerned with strengthening communities, especially in remote rural areas.

In an effort to increase economic inclusion within deprived communities, Scottish Enterprise has recently launched a new initiative, 'Linking Opportunity and Need' (LOAN), which focuses on nine Economic Development Zones (EDZs) and aims to use the opportunities generated by major regeneration projects (e.g. the Clyde Waterfront and the Clyde Gateway) to provide entry-level jobs for excluded groups. In the words of one workshop participant, 'the idea of LOAN is that deprived areas need to get ready to take advantage of employment growth, i.e. they need to know what the game is'. The EDZs have been selected for their proximity to disadvantaged areas as well as for their economic potential. LOAN is being seen as helping to reduce labour shortages while at the same time helping those who are excluded but closest to entering the labour market obtain an increasing share of the new jobs. This involves building partnerships between key players, including Jobcentre Plus, Communities Scotland, local authorities and FE colleges.

In Glasgow, there has been a deliberate attempt since 1998 to link the 'competitiveness' and 'cohesion' agendas by means of producing a joint economic strategy between the LEC (Scottish Enterprise Glasgow) and Glasgow City Council.

To quote from the strategy covering the 2003–05 period:

> Glasgow needs economic growth, but it also needs to take practical
> action to link new employment opportunities to the unemployed and those
> who do not currently participate in the labour market (the economically
> inactive).
> (Glasgow Economic Forum, 2003)

In the words of one interviewee, 'Glasgow is the flag bearer for economic and social regeneration coming together'; and according to the leader of Glasgow City Council, 'there has to be a correlation between economic development and neighbourhood regeneration' (quoted in *Regeneration and Renewal*, 21 April 2006). Thus a key initiative in the city has been the 'Full Employment Initiative', with jobs being seen as the main driver for improving the quality of life in deprived communities. This has meant a focus on employment-intensive sectors (with 53,000 additional jobs being created in Glasgow since 1995) on the demand side and on the employment needs of marginalised groups on the supply side.

There is a view held by those at the top of Scottish Enterprise that public spending contributes to 'crowding out' of the Scottish economy. There is, however, another perspective in relation to the positive role that public spending can play with respect to regeneration. For example, quality public services are crucial to the regeneration of rural economies and the prevention of further depopulation. Poor public transport and the lack of affordable housing in rural communities make these areas less attractive to live in. Another example is the current cuts in the welfare to work programmes, which are likely to reduce the scope and quality of services to disadvantaged areas and communities. Furthermore, the current focus on encouraging people to move from Incapacity Benefit (IB) into the labour market will have implications for those social and health (and even transport) services that will be required to support this process.

The Scottish Index of Multiple Deprivation and area-based targeting of resources

While area-based targeting is important, the CRF zones 'are insufficient in themselves to be the main drivers of change' (Scottish Parliament, 2006). Non-area-based funding benefits deprived areas, although there is no means of measuring and accounting for this. These issues can be summarised as follows.

■ According to the 2004 SIMD, most deprived people do not live in deprived areas. Glasgow, Inverclyde, and Dundee have more income-deprived residents living within their 15 per cent most deprived areas than live outside these areas. At the other end of the spectrum, all three island councils plus East Lothian and Moray have no data zones in the worst 15 per cent deprived in Scotland, yet between them over 10 per cent of their population is income deprived. Two-thirds of CRF is allocated on the basis of each LA share of data zones comprising the most deprived 15 per cent within Scotland.

■ SIMD is useful for distributing funds for area regeneration purposes but not for distributing funds from the Scottish Executive to local authorities.

Carley (2005) underlines this point by stating that the:

> … cut off point for funding is arbitrary, thus excluding at risk neighbourhoods with substantial numbers of deprived households just outside the cut off point.

It should be pointed out that CPPs are given some flexibility as to how to target regeneration funds.

The operation and application of the SIMD in rural areas has been the subject of critical scrutiny. The SIMD measures concentrations of multiple deprivation and, as such, does not highlight or give much weight to deprivation that is not geographically concentrated, and this is the general situation in remote rural and island areas – 'the kinds of rural deprivation issues we deal with don't show up on the conventional radar' (interviewee from Highlands and Islands Enterprise). In fact, disadvantage in rural areas is dispersed – 90 per cent of the income-deprived households in the Highlands and Islands live outside the 15 per cent most deprived areas. There is a need to include indicators that SIMD does not attempt to collect, e.g. the balance of inward and outward migration, demographic changes, housing pressures, community confidence, local economic indicators, employment opportunities within travel to work areas and rudimentary public transport. Such combinations can have a negative 'multiplier' effect in rural areas, leading to declining confidence and sustainability. The fragility of remote rural areas suffering from 'demographic deprivation' and potential of small towns requires additional and more sophisticated approaches to measurement and response. Critically, analysis needs to include qualitative data on capacity, infrastructure and need for development through engagement of communities and partners.

In addition to the criticisms about the definition of deprived areas based on the SIMD, there is an issue about the capacity for local authorities and other agencies to bend their mainline programmes so as to benefit deprived communities and areas. The CRF is relatively small-scale in the context of the complex problems of poverty and inequality in urban and rural areas.

Mainstream funding to regeneration

The challenge posed in terms of mainstreaming and bending mainline programmes seems to be at the forefront of policy agendas. The Finance Committee summarises the views of most stakeholders when it states that:

> … it saw little evidence that mainstream budgets are being bent towards
> deprived areas. Indeed it became clear from the evidence on local
> authority funding that Councils do not always spend resources identified
> as linked to deprivation on services for people in the most deprived areas.
> Neither do health boards and, we assume, other public agencies.
> (Scottish Parliament, 2006, p. 4)

Barriers identified are:

- *fragmentation of policy between 'silos' of central funding, which make it difficult to join up funding objectives locally*

- *failure of local authorities to develop a coherent approach to service co-ordination across line departments*

- *the difficulty of bending the spend where there are statutory obligations*

- *an inability of even sophisticated community organisations to make their voice heard on local priorities for expenditure.*

There is, however, evidence that some partnerships are attempting to address the problems of mainstreaming. In the West Edinburgh Community Planning Partnership a mainstreaming group has been established, paradoxically as a response to reductions in the CRF. As well as seeking to address the reducing CRF budget, the group is looking at other funding sources that could impact positively on local service delivery across the area and the impact of mainstream budgets from council and NHS departments. It is also trying to make links with city-wide initiatives, particularly strategic partnerships such as the Childcare Partnership, Capital City Partnership

and the Compact Partnership. This group is relatively new and it is too early to assess the outcomes of its activities in this area.

It is also worth noting here that, in the case of Highlands and Islands Enterprise, a 'formula share' is used to allocate funding to the nine LECs, this being based on an assessment of 'need' using HIE's own 'fragility index' (nine measures, which include demographic trends, age structure and distance from services). Thus the Western Isles receive much more per capita than Inverness (12.9 per cent share for 6.1 per cent of the population, compared to a 10.4 per cent share for 20.6 per cent of the population).

Employability Frameworks and demand-side policies

There is a view that demand-side interventions are just as important as supply-side policies and that more still needs to be done to increase labour demand in places like Glasgow in order to reduce the numbers of hidden unemployed. These arguments are based largely on research by Fothergill (2005), which suggests that regions of buoyant labour markets and relative full employment such as the South East of England and the Edinburgh region have low numbers of people on Incapacity Benefit (IB). In a paper to Scottish Enterprise, Fothergill (2005) argues that the existence of large numbers of people on IB in cities such as Glasgow reflects the difficult nature of the labour market and the existence of hidden unemployment. Although there are seemingly plenty of vacancies and new jobs being created in Glasgow and the West of Scotland more generally, labour demand conditions compared with more buoyant areas are still depressed and not at the level found in a genuinely full employment economy. The new employment and vacancies have been filled largely by people 'closer to the labour market', which tends to be those who are claiming Job Seeker's Allowance rather than those on IB. Thus it is argued that more should be done to increase labour demand in Glasgow to reach those on IB.

There is an added dynamic to the labour market and that is the role of in-migration, which has been encouraged by the Scottish Executive to redress the problems caused by an ageing population and to meet future workforce needs. In addition, the opening up of Eastern Europe has in effect extended the geographical scale of job search. Interviewees from Jobcentre Plus commented on the fact that several employers, especially in the construction and hospitality sectors, had been targeting in-migrants from EU accession countries. Stakeholders have noted that many of the in-migrants are skilled and job ready and tend to be moving into entry-level jobs that could potentially have been available for those who were formerly on IB. The overall effect of welfare to work programmes (including the Pathways to Work) combined

with in-migration is to increase the supply of labour, making the labour market more competitive.

Some issues have been identified relating to delivering employability services in terms of better joining up between different providers and the creation of a seamless 'Employability Service'. Furthermore, some labour market programmes, especially Intermediate Labour Market Programmes, which benefit people who are far removed from the labour market, are under threat by the reduction of European Funding. There is a view that the current welfare reforms will affect the operation of the services in Jobcentre Plus in relation to cuts in resources and proposed jobcentre closures, which will in turn adversely affect services to the unemployed and those on IB.

There are examples of good practice in terms of labour market initiatives such as 'Joined up for Jobs' in Edinburgh, the 'Glasgow Equal Access to Employment Strategy' run by the City Council, which focuses on those furthest from entering the labour market by linking employability to health and social issues, and the two 'Working Neighbourhood Pilots' in Glasgow, which have experimented with various innovatory elements. The Scottish Executive also announced a new initiative in 2006, 'Workforce Plus: An Employability Framework for Scotland', which:

> … sets out how organisations can better work together at national and
> local levels to improve support for those facing barriers to employment,
> including people with disabilities and lone parents.
> (Scottish Executive, 2006b)

It remains to be seen to what extent a better alignment of funding and improved co-ordination between stakeholders leads to a reduction in worklessness throughout Scotland.

Governance and partnerships

There have been considerable changes occurring in the policy and institutional landscape in terms of regeneration in Scotland. Many of these have been seen as an improvement, although there are concerns about there being too many partnerships and strategies, and the connections both at vertical and horizontal levels are not what they could be. There are two specific issues identified in terms of the operation and function of partnerships. One relates to the management of funding regimes and the second relates to representation and access to the partnership decision-making process by disadvantaged groups.

Managing funding

Three issues are identified (see also above in relation to barriers to mainstreaming).

■ Complexity of funding, as there are a number of funding programmes in five different departments within the Executive, with little consistency between the approaches of departments.

■ Short-term funding seriously hampers sustainability in regeneration (this particularly affects voluntary organisations) and there is a need to consider continuity.

■ Problems with co-ordination occur when funding streams operate in silos with no one taking responsibility for the overall impact of decisions taken.

Representation and inclusion in partnership decision making

Concern has been expressed about the abolition of the Social Inclusion Network, which was originally established by the Executive to facilitate participation and provide a voice for those groups and organisations involved with anti-poverty work. This is seen as potentially closing off channels of communication and possible influences on social inclusion policies. As an alternative, Scotland's anti-poverty coalition has used its membership of the Social Policy Task Force (SPTF) to lobby around anti-poverty issues. The SPTF was established under EU guidelines as a process of consultation for relevant bodies as part of the National Action Plan in Social Inclusion, with the Department for Work and Pensions (DWP) as the lead agency. Through this involvement, a toolkit was developed funded by the Church of Scotland Priority Area Committee to enable groups to find out what is working, what is not and what needs to change with respect to anti-poverty policy.

There is a view among the VCS and in particular the Scottish TUC that a model of more inclusive governance could borrow from Europe (and in particular recent developments through the National Centre for Partnership and Performance in Ireland) in terms of social partnership:

> One of the disadvantages Scotland faces in trying to combine prosperity, security and equality is the weak institutional framework we have for industrial cooperation. In other European Countries, from Ireland to Germany, from Sweden to Spain, collective bargaining and social partnership are well established and institutionalised features of society. (Scottish TUC, nd)

One of the barriers identified for community participation within the CPPs is the large spatial scale of some of them, which make them potentially unwieldy for the VCS to organise around. To quote from an interviewee from the VCS sector, 'voluntary organisations simply do not have the resources to engage with them all and it is difficult to know what is the most appropriate level to engage with CPPs' and 'too many community planning boundaries appear to be established as an administrative convenience by a top-down decision rather than in a participative manner'. These problems have been overcome in some areas. West Edinburgh CPP, for example, has established an active VCS involvement and representatives on the various boards are elected through a ballot – a system that has strengthened accountabilities within the VCS networks.

Conclusions

Devolution has meant that Scotland is forging its own path with respect to regeneration, but there are a number of challenges as well as opportunities that are similar in nature to other UK regions. These can be summarised as follows.

First, Scottish Enterprise has been criticised as not reflecting broader community needs and perspectives in its decision making and being overly business friendly. It is a quango and there are issues about accountability to deprived communities and areas in terms of how their aspirations are incorporated into strategy making. There is therefore considerable onus on the working of the recently introduced LOAN framework in order that larger-scale regeneration projects avoid 'trickle-down' assumptions with respect to benefits to deprived areas.

Second, there is an argument that the replacement of the Social Inclusion Partnerships has strengthened the role of the local authority in terms of influencing regeneration at the expense of the voluntary and community sector. The effective engagement of the VCS with the CPP process is now a major challenge.

Third, the new Community Planning Partnerships seem to have a long way to go before there is effective mainstreaming of resources to the benefit of deprived areas.

And fourth, while Scotland's approach to governance arrangements is different, there are problems concerning the complexity of partnerships – the fact that there are too many and that they are not always joined up effectively both vertically and horizontally. Furthermore, the Department for Work and Pensions and Jobcentre Plus do not operate in a devolved way, which is seen by some as a potential barrier

because of the lack of a Scottish perspective with regard to the operation of key policies and programmes related to work and benefits.

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Scottish Executive (2006d) *People and Place: Regeneration Policy Statement*. Edinburgh: Scottish Executive

Scottish Parliament (2006) *Finance Committee Report: Cross Cutting Expenditure Review of Deprivation*. Edinburgh: Scottish Parliament

Scottish TUC (nd) *Response to the Enterprise and Cultural Committee's Business Growth Inquiry*. Glasgow: STUC

Scottish TUC (2006) *STUC Meeting with Trade Union Group of Scottish Labour MPs 18 January 2006 – Incapacity Benefit and Welfare Reform*. Glasgow: STUC

Organisations interviewed

Scottish Enterprise National – Senior Policy Officer

Scottish Enterprise Glasgow – Senior Manager

Scottish Executive, Communities Scotland, National – Senior Manager

Scottish Executive, Communities Scotland, Glasgow – Social Justice Manager

Scottish Executive National – Head of Regeneration

Edinburgh City Council – Policy Officer

Glasgow City Council – Researcher, Regeneration

Highland Wellbeing Alliance – Programme Manager

Highlands and Islands Enterprise – Director of Social Development

Highlands and Islands Enterprise – Head of Culture Team

West Edinburgh Community Planning Partnership – Co-ordinator

West Edinburgh Community Planning Partnership – Councillor representative

Jobcentre Plus Scotland – External Relations Manager

The Wise Group – Head of Policy and Research

Scottish TUC – Assistant Secretary

Anti Poverty Alliance – Director

Scarman Trust (Scotland) – Director

6 Wales

Introduction

Like Scotland, national identity together with a concern to redress the democratic deficit has been a driving force behind the push towards greater devolution in Wales. At the time this research was undertaken, there were signs that Wales was forging its own particular path in respect to economic governance with the merger of three key agencies, the Welsh Development Agency (WDA), Education and Learning Wales and the Welsh Tourist Board, within the new Welsh Assembly Government as part of a wider strategy for reducing quango government and increasing political accountability. In this respect, studying Wales makes for a fascinating case study given that some of the most deprived areas in the UK are contained within its territory. It is unclear yet to what extent the elections of 2007 and new Welsh Assembly Government, with Plaid Cymru joining the Labour-led administration, may affect policy.

This chapter outlines the emerging issues relating to regional governance and the economic needs of deprived localities in Wales. It draws on the insights gained during the interviews conducted in Wales in October 2005 and document search between 2005 and 2007. Seven face-to-face interviews and eight telephone interviews were undertaken with representatives of a range of national (e.g. Welsh Assembly Government and the former Welsh Development Agency), regional (South East Wales and North Wales Economic Forums) and sub-regional organisations/ neighbourhood organisations including Cardiff Council and neighbourhood/ community organisations involved with the Communities First programme. Other 'stakeholders' interviewed included the Wales Council for Voluntary Action, Wales TUC and Wales Anti Poverty Alliance (see full list at end of the chapter). Further insights come from a workshop held in May 2006 and hosted by Wales Council for Voluntary Action, which involved six representatives from the various interviewed organisations. This provided an opportunity to take the discussion of issues further and to take on board some of the latest policy developments.

Economic and governance context

Economic challenges

There have been some encouraging signs in economic trends in the Welsh economy. For example, over 100,000 more people were in employment in 2005 than in 1999. The unemployment rate fell by 38 per cent over the 1997–2005 period, compared to a 31 per cent drop in the UK as a whole, such that the unemployment rate in Wales is just below the UK average (4.5 per cent compared to 4.7 per cent in 2005) (Figure 35). Average earnings have also risen and the Welsh economy is growing more strongly than many other countries in Europe. However, despite these discernible improvements, there are a number of economic challenges to be addressed.
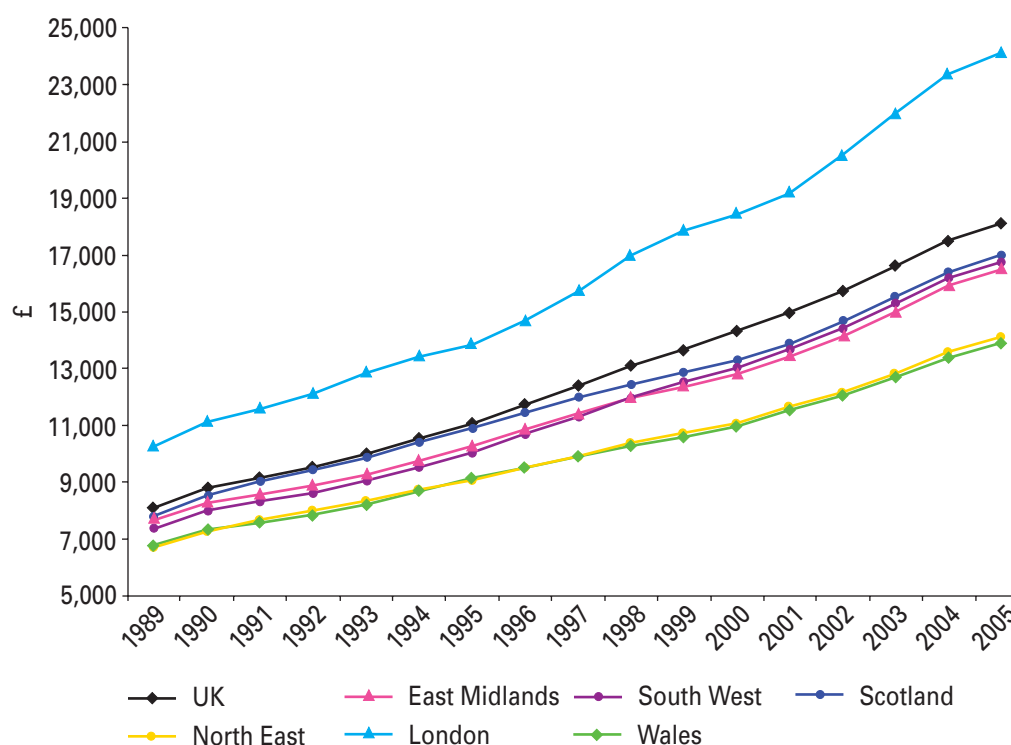
Figure 35 Unemployment rate
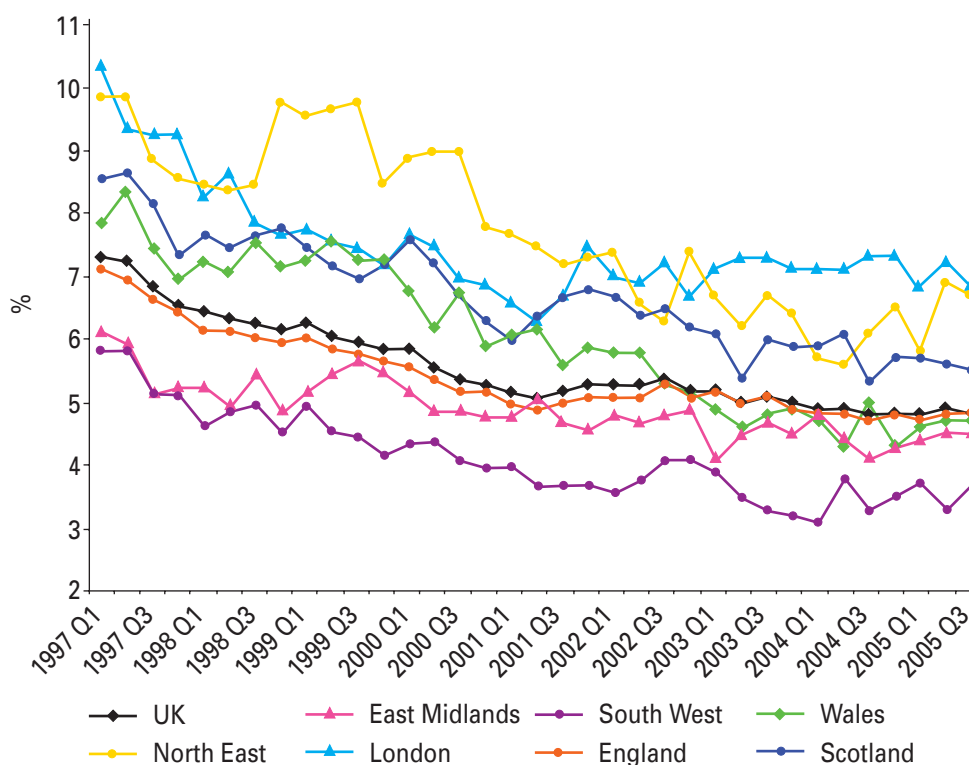
Source: Labour Force Survey, Office for National Statistics.

First, gross value added (GVA) per head in Wales remains well below the UK average (£13,300 compared to £17,300 in 2004) (Figure 36) and this is mainly due to low employment rates and a relative lack of high-paid jobs rather than low productivity on a like-for-like basis. From 1997 to 2005, the average employment rate in Wales was 69.7 per cent (the second lowest in the UK after the North East region) compared to a UK average of 74 per cent (Figure 37).

Second, the level of economic inactivity in Wales is still above the UK level and the proportion of inactive population of working age claiming benefits in Wales was 50 per cent in 2003/04 compared to 36 per cent in Great Britain (Figure 38). The proportion of people classed as permanently sick in relation to inactive population is 9.2 per cent for Wales compared with 5.3 per cent in England. These trends are occurring while there is a fall in registered unemployment (Figure 35 above).

Figure 36 Regional GVA per head

Source: Office for National Statistics.

Figure 37 Employment rate
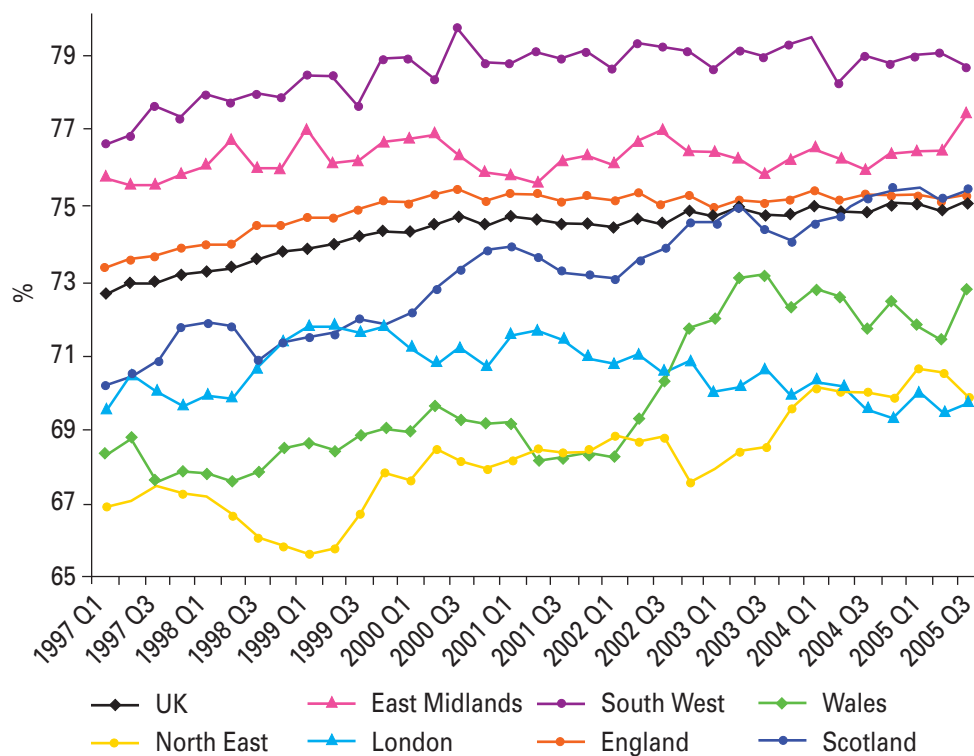
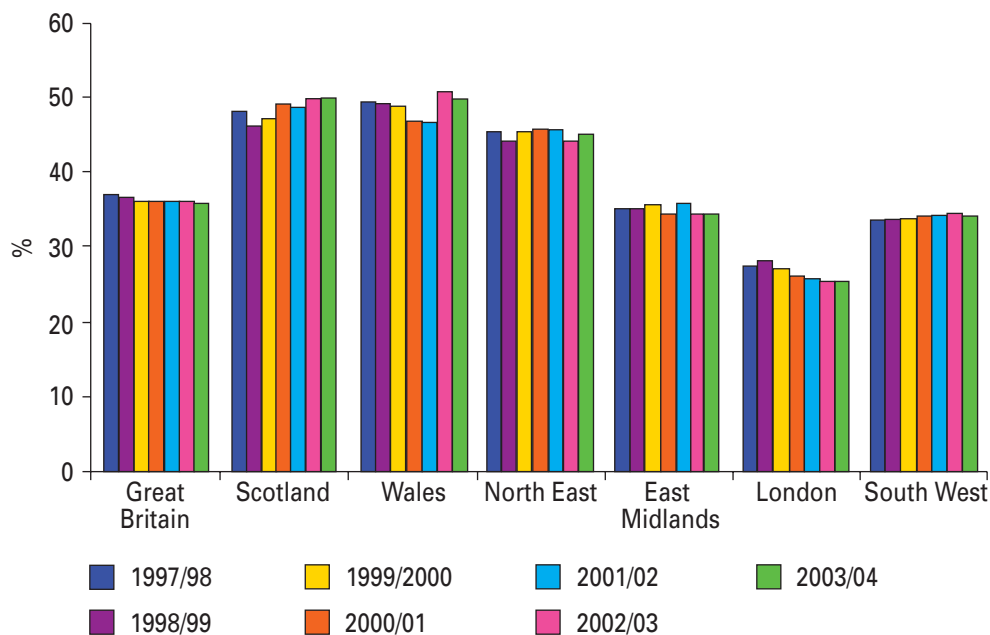Source: Labour Force Survey, Office for National Statistics.

Figure 38 Benefit payment (incapacity benefits/severe disablement allowance) as proportion of inactive population in the UK


Source: Department for Work and Pensions.

Third, the Wales labour market is characterised by an adverse occupational and industrial mix, with relatively few high value added jobs and a correspondingly unfavourable qualifications profile in the workforce as a whole. Wales has the lowest proportion in the UK of people with intermediate-level skills and the UK percentage of the workforce qualified to this level is low compared to competitor countries: 28 per cent compared with 51 per cent in France and 65 per cent in Germany. Wales has a lower proportion of workers in higher managerial occupations compared with England, which is why Wales is characterised by a 'branch factory economy' where headquarters of companies and management/research and development functions are located outside Wales. One of the consequences of the occupational structure is that gross weekly earnings in Wales for male and female full-time employees were 8 and 9 per cent below the UK levels respectively in 2005.

Fourth, there is a striking shortfall in new business formation, as shown in Figure 39. According to the Global Entrepreneurship Monitor, 4.6 per cent of men in Wales were involved in entrepreneurial activity in 2004 compared with 6.7 per cent in the UK, with the equivalent rates for women being 2.5 per cent against 2.8 per cent.

Figure 39 VAT registrations (all industries) as a percentage of business stock (end of the year)
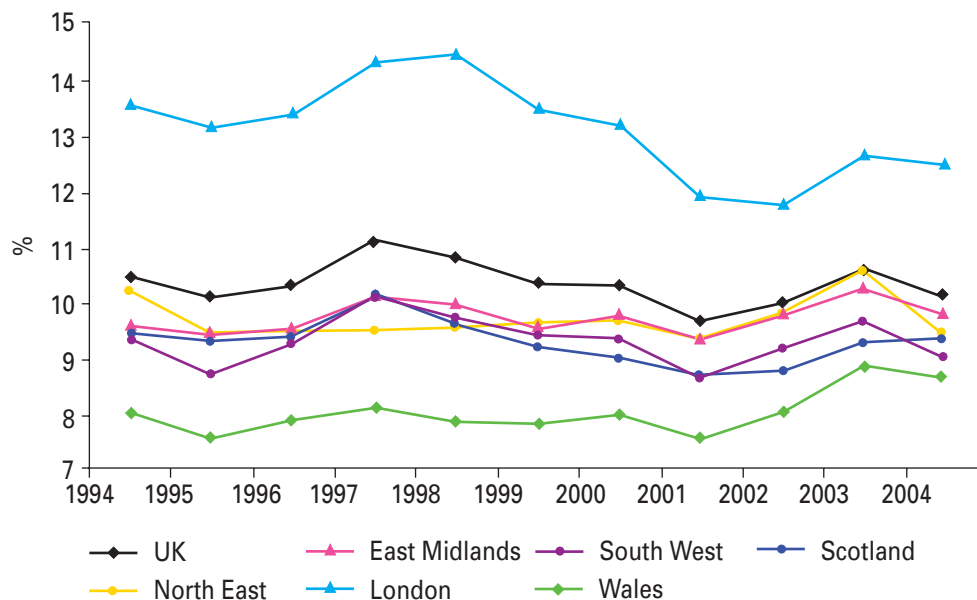
Source: Office for National Statistics.

While Wales has followed UK trends in terms of employment increases in services and a corresponding reduction in manufacturing industries, the manufacturing sector is still important to the Welsh economy, accounting for 15.1 per cent of employment compared with 11.1 per cent for the UK. UK government policy relating to the manufacturing sector has important implications for Wales and in particular to the manufacturing heartlands of South East Wales.
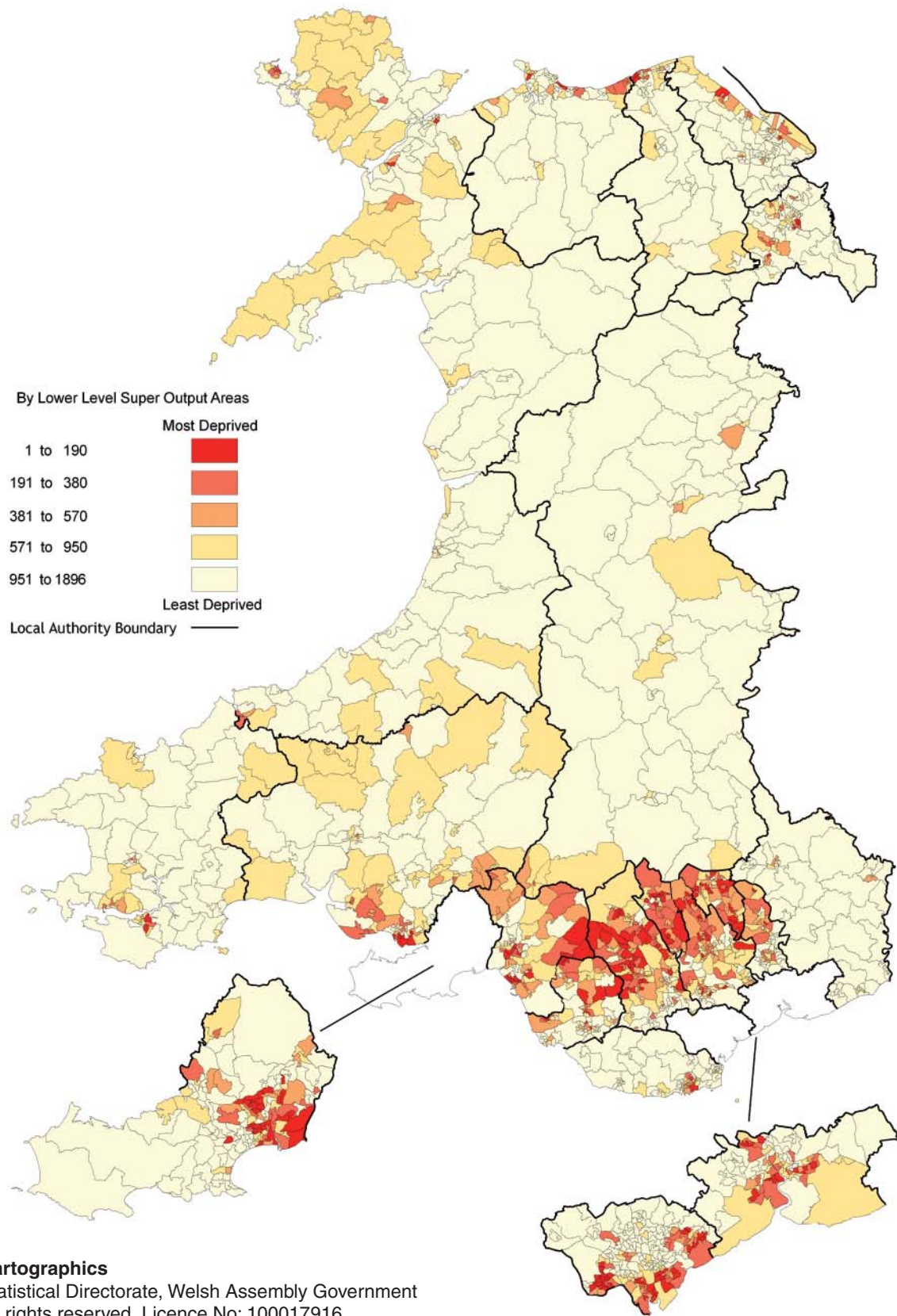
Inequality and deprivation

The Welsh Index of Multiple Deprivation (WIMD) 2005 assesses areas of relative deprivation within Wales on the basis of measures of a number of domains and combines these into an overall index of multiple deprivation. There are seven domain indexes of deprivation – income; employment; health; education, skills and training; housing; physical environment; and geographical access to services. Each domain index is weighted and then combined to provide an overall index of multiple deprivation (Figure 40). The analysis of the overall index and the individual domains concentrates on the most deprived 10 per cent of Super Output Areas (SOAs).

In terms of identifying the most deprived local authority areas, the highest proportion of the 10 per cent most deprived SOAs in Wales are to be found in Cardiff (17 per cent), Rhondda Cynon Taf (15 per cent) and Swansea (12 per cent), whereas the local authorities with the highest proportion of their SOAs in the most deprived 10 per cent in Wales are Merthyr Tydfil (36 per cent), Blaenau Gwent (26 per cent), Rhondda Cynon Taf (19 per cent) and Neath Port Talbot (19 per cent).

There are limits to the use of the WIMD. Some of the indicators are better at identifying deprivation in specific types of areas than others. For example, benefits data is not as good a measure of income deprivation in rural areas as it is in urban areas, as those in small rural communities have been shown to be less likely to take up benefits because of lack of information, poor access to transport and higher degrees of social stigma attached to benefits than in urban areas.

The Joseph Rowntree Foundation (JRF) report *Monitoring Poverty and Social Exclusion in Wales* (Kenway *et al.*, 2005) provides further insights into poverty and deprivation, and used 22 indicators of poverty working at a local authority area. For example, health indicators are represented in terms of low birth weight, condition of teeth, under-age births, general practitioners (including numbers of GPs working single-handed) and limiting long-standing illness. A child poverty indicator representing the proportion of children living in an area who are in low-income households is also used. The JRF report is therefore a more sophisticated analysis

Figure 40 Welsh Index of Multiple Deprivation 2005

By Lower Level Super Output Areas

Most Deprived

1 to 190
191 to 380
381 to 570
571 to 950
951 to 1896

Least Deprived

Local Authority Boundary

Cartographics
Statistical Directorate, Welsh Assembly Government
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Source: ODPM, 2006.

of poverty and social exclusion than the WIMD in terms of the breadth of indicators. Both studies, however, confirm that poverty and deprivation are concentrated in the Valley areas as well as in the urban conurbations of South East Wales (Swansea, Cardiff, Neath Port Talbot).

The JRF report also identifies areas where there is a prevalence of low-paid employment – these are predominantly in rural Wales, such as Pembrokeshire, Ceredigion, Gwynedd and Powys. This raises an important issue about poverty and deprivation not being confined to people who are economically inactive.

The (former) WDA adopted a 'tool-kit' approach, which involves the 'provision of business support and capital programmes such as property provision, land reclamation and environmental improvements', but also includes the need for capacity building and other softer forms of assistance (WDA, 2003). This 'tool kit' provided:

> … support to build the capacity of communities to devise and deliver their own action plans. A holistic approach to the development of these plans is encouraged, with the recognition that they will be long term in nature. (WDA, 2003)

As Table 11 illustrates, the proportion of resources allocated to community programmes is relatively small. The WDA did not see a role for itself in terms of being involved directly in tackling deprivation, although it acknowledged the potential indirect benefits.

Table 11 Indicative budgets of the WDA, 2002–06

Communities programmes	2002/03 (£'000)	2003/04 (£'000)	2004/05 (£'000)	2005/06 (£'000)
Environment/urban/rural	28,214	24,000	20,000	24,000
Land reclamation	13,095	11,000	9,000	8,000
Sustaining communities	10,470	12,500	12,000	15,500
Total communities programmes	51,779	47,500	41,000	47,500
Total budget WDA	345,587	365,948	362,948	359,948
% of communities resources programmes of WDA's total budget	15	13	11	13

Source: Welsh Development Agency, Corporate Plan 2003/04–2006/07.

Governance in Wales

Figure 41 maps out the multilevel governance structure in Wales relating to economic development and the regeneration of deprived areas.

Figure 41 Economic governance structure: Wales

DEIN	Department for Enterprise, Innovation and Networks	
DELLS	Department for Education, Lifelong Learning and Skills	
DSJR	Department for Social Justice and Regeneration	
DWP	Department for Work and Pensions	
JCP	Jobcentre Plus	
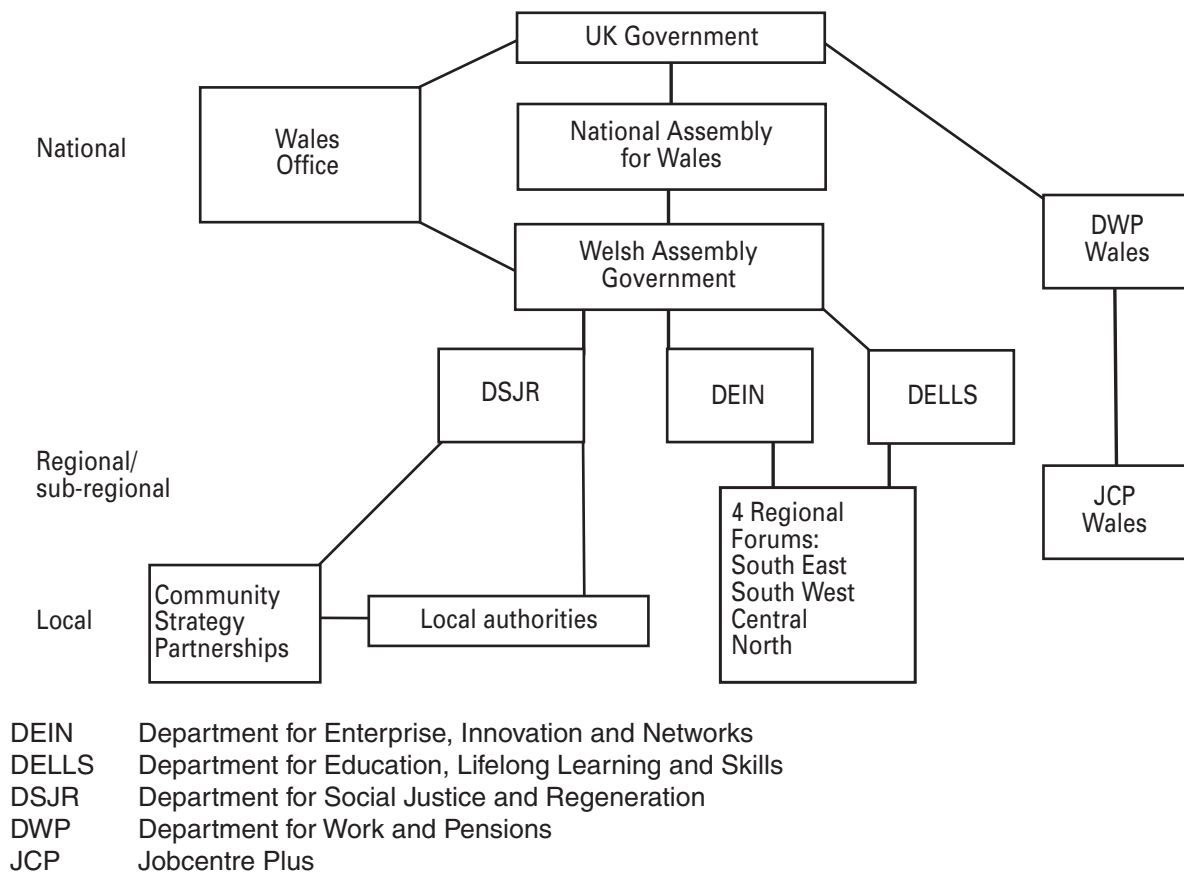
National level

During the period of this study (2005–07), key organisational changes have taken place in the form of the transfer of the functions of the Welsh Development Agency (WDA), the Welsh Tourist Board (WTB) and Education and Lifelong Learning of Wales (ELWa) into the Welsh Assembly Government. The WDA has been incorporated into the Department of Enterprise, Innovation and Networks (DEIN) and ELWa is now the Department of Education, Lifelong Learning and Skills (DELLS). The purpose of the reorganisation has been to deliver more efficient and accountable public services. Further reorganisation of departments following the 2007 elections is also under way.

The WDA was a market- and demand-led agency, which had a narrower remit than the English RDAs in that it was engaged primarily with business support and infrastructure investment. In recent years, it took a proactive role in sectoral support, establishing a 'knowledge bank' of 40 to 50 companies identified as having growth potential that would receive focused support. The WDA did not have an explicit policy for deprived areas, although account was taken of areas of need in making property interventions.

The remit of DEIN has been much broader and its principal functions include supporting job creation and helping individuals to tackle barriers to work, investing to regenerate communities and stimulating economic growth by supporting entrepreneurship, innovation, inward investment and trade. Alongside this, the Department for Social Justice and Regeneration has had a particularly important role in terms of area regeneration, with responsibility for delivering and funding programmes for locally based regeneration and social inclusion coming under its Communities Directorate.

Regional and city region governance in Wales

The reorganisation has maintained the existing regional governance structure within Wales with the DEIN playing a central role in steering the four main Regional Economic Forums – South East Wales, South West Wales, Central Wales and North Wales – each comprising representatives from various public and private sectors with an interest in regeneration. They are voluntary partnerships and aim to develop a consensus around regional-level issues. For example, the North Wales Economic Forum (NWEC), which was originally established in 1995/96, defines its role as influencing and lobbying the UK Government, WAG and EU bodies, developing and securing commitments to pan-North Wales strategies and securing funding. The Forum has also been involved with disseminating the results and exchanging examples of best practice. Researching and monitoring the economy of North Wales as well as promoting the region are seen as important activities.

NWEC played a central role in shaping a number of intiatives such as the Employment Zone (now completed) and its link to a European Network of Territorial Employment Pacts, which involve more intensive interventions in the labour market. This has given NWEC invaluable experience in relation to developing interventions for tackling economic inactivity in mainly rural and small town communities.

The other Regional Forum interviewed as part of the study is the South East Wales Economic Forum (SEWEF), which combines ten local authorities in South East Wales and other partners such as the WDA and Jobcentre Plus to promote the area for economic development. SEWEF does not have a social agenda or a strategy for targeting investment into particular areas.

'Capital Wales' is a new initiative to integrate the economic development of South East Wales. It is geared towards attracting inward investment and co-ordinates the resources of several public and private sector partnerships, local authorities and business support services in the region to offer a single point of contact for companies looking to expand their businesses. WAG has also established a 'Heads of the Valley Initiative' within the SEWEF area. Parts of the Valleys have the highest incidence of deprivation in the UK and the main purpose of the initiative is to provide the policy framework and co-ordination for labour market and welfare to work programmes such as the DWP Pathways to Work.

In addition to SEWEF is the South East Wales Transport Alliance (SEWTA), which has a role in developing and co-ordinating transport strategies within the same geographical area as SEWEF. This has been formed because of the strategic importance of the region to Wales's national economic prosperity, as well as the need to improve the links with the more deprived former coalfield areas of the Valleys.

In addition to these partnerships, there are the local/sub-regional partnerships, which report directly to the Welsh European Funding Office in relation to the implementation of the EU's Objective One and Two Programmes in Wales.

Local governance

Under the Local Government Act (2000), local authorities in Wales are required to produce Community Strategies setting out the long-term vision and priorities for their areas and based on the formation of Community Strategy Partnerships, which have become important organisational mechanisms for regeneration. In addition to the Community Strategy Partnerships, WAG has rolled out a 'Communities First' regeneration programme, which is concentrated in the most deprived wards as defined by the WIMD (see under the heading 'Local and neighbourhood strategies' in the following section).

Strategies and deprived localities

National economic strategy

'Wales: A Better Country' (WAG, 2003) sets out a strategic agenda for the Welsh Assembly Government (WAG), which includes 'more and better jobs', recognising the relatively low employment rates and high levels of economic inactivity in many areas.

WAG produced its original economic development strategy, 'A Winning Wales' in 2002 (WAG, 2002) and is still in the process of producing a revised economic strategy, although a strategic framework for economic development ('Wales: A Vibrant Economy') was produced in 2005 as a consultation document (WAG, 2005). Certain strategic themes feature strongly, these being supporting job creation, investing to regenerate communities, business support measures and ensuring that economic programmes and policies support sustainable development. The framework recognises the need to address local priorities, particular mention being made of the concentrations of economic inactivity in the 'Heads of the Valley' area in South Wales and the difficulties of accessing employment in the rural areas of West Wales.

Although not a strategy in itself, the WAG *Social Justice Report* provides annual updates on WAG action on poverty and social exclusion and 'provides a valuable focal point for the Assembly Government's work in tackling social exclusion across Government Departments' (WAG, 2006a).

Other national strategies

European Structural Funds (priorities for 2007–13), the Skills and Employment Action Plan, Basic Skills Strategy, Learning Pathways and Youth Gateway are important strategies for employment and skills. In November 2003, WAG allocated £1.8 million (under the EU LEADER programme – a French acronym for 'Links between Actions for the Development of the Rural Economy') for the Rural Community Action programme, which is about helping people in the nine predominantly rural local authorities.

Regional strategies

The Wales Spatial Plan

'People, Places and Futures' (WAG, 2004) sets out a framework for regional policy and development, which guides WAG to develop policies relating to geographical differences in Wales. The Plan aims to:

- provide a clear framework for future collaborative action between different government and non-government agencies

- influence the location of expenditure

- influence mix of public and private investment in particular areas

- set the context for local and community planning.

The Plan sub-divides Wales into six regions – North West Wales, North East Wales, Central Wales, South East Wales, Swansea Bay, Pembrokeshire – based on their distinctive socio-economic and environmental characteristics.

In terms of deprived areas, one of the objectives of the Plan is:

> … to reconnect people with labour markets and improve skills through focused investment in our less well off communities.
> (WAG, 2004)

While highlighting specific actions for the regions, the Plan does not recommend particular governance arrangements except for existing partnerships such as the Regional Forums to take on board the strategic priorities of the Plan and to promote better co-ordination and integration of existing strategies. The significance of the Spatial Plan is that there seems to be an emerging regional agenda within Wales, which may increase the role and status of existing regional and sub-regional partnerships as well as unitary local authorities.

Regional Forum development strategies

As mentioned above, each of the four Regional Forums produces its own development strategies, which have a strong economic regeneration component. Of note is the South East Wales Development Strategy, which is closely aligned to the City Region Strategy (see below). The 'Heads of the Valley' City Strategy, produced by the Heads of the Valley Strategic Partnership, aims to increase the employment rate in the former coalfield communities in the Valley local authorities. It involves essentially a more co-ordinated approach to employment and welfare to work programmes, including a tailored approach to support and advice as well as increased use of job matching.

Cardiff capital – the South East Wales city region

Cardiff has also produced a strategy (Cardiff Council, 2006), which incorporates the ten local authorities in South East Wales including the South Wales Valleys, Newport, Monmouthshire, and the Vale of Glamorgan. The population of the city region is around 1.4 million and over one-fifth of Welsh GVA is generated by Cardiff and the Vale of Glamorgan. In order to become a 'UK premiership city', a number of large-scale development projects are envisaged including an international sports village, a new international conference centre, an international business park and a creative industries hub.

It is difficult to gauge the precise impact of the city region on the Valley communities and the most deprived areas of Cardiff at this point in time, as the strategy is in its infancy, but it is seen as being of significance for some of the most deprived areas of South East Wales as well as benefiting the Welsh economy as a whole.

Local and neighbourhood strategies

Community strategies

As mentioned above, local authorities are required to produce Community Strategies, which tend to have a focus on regeneration. The aims of the strategies are to provide better co-ordination and focus to existing service provision and area-based programmes.

Tackling inactivity – Want2Work and Pathways to Work programme

The Want2Work pilot (see Volume 3, Chapter 6) is a Joint Welsh Assembly/Jobcentre Plus initiative aimed at tackling economic inactivity. Although a national pilot, it is targeted at the more deprived areas and wards in Merthyr Tydfil, Cardiff, Neath Port Talbot and Rhyl. It does not involve compulsion and has a strong health management and support component, including a return to work subsidy and personal support. Want2Work involves outreach work to attract potential beneficiaries and people are signposted to various programmes (such as voluntary work, health clubs, etc.) as stepping stones into work.

In addition to Want2Work, the Department for Work and Pensions (DWP) Pathways to Work initiative was piloted in Bridgend and Rhondda Cynon Taf – a former coal-mining area. This initiative offered a Conditioned Management Programme run with the NHS, which helps beneficiaries to cope with health and disability issues. Pathways also offers a return to work credit. During 2006, Pathways to Work was extended to the new South West Wales and South Wales Valleys Jobcentre Plus districts. Following DWP's response to the Incapacity Benefit Reforms Green Paper in June 2006, the Pathways to Work programme will be led by the private and voluntary sectors in the remaining two Jobcentre Plus districts – North and Mid-Wales, and South East Wales – and will commence in October 2007.

There are a number of examples of job-matching programmes linking economically inactive people to certain sectors. For example, the Heads of the Valleys has been granted Pathfinder status under DWP's Towns and Cities Strategy and is using a consortium approach to roll out the principles of the successful job match programme that has operated since the beginning of 2004 in Blaenau Gwent.

Communities First

Communities First (CF) could be considered as WAG's flagship strategy for tackling poverty and deprivation within localities. The original programme, which was called 'People in Communities', developed in the late 1990s and involved bottom-up community development and developing partnerships. This laid the foundations for CF, which was first implemented in 2001 and is closely linked to WAG's strategy 'Wales: A Better Country', aimed at improving 'opportunities and the quality of life of people living and working in the most disadvantaged communities in Wales' (WAG, 2003). CF's essential philosophy is about involving the communities and seeking their voices and policies for the regeneration of areas. More specifically, it aims to help communities and local people to articulate their needs, to understand the

underlying causes of these needs, and to connect and work with local services in a way that addresses their needs. The intention was that the programme should run for a number of years in order to achieve the required results and outcomes.

There are 142 designated CFs in the IMD-defined deprived areas, involving 22 local authorities. Between 2001 and 2007, £99 million has been allocated to the programme, including funding for the appointment of CF co-ordinators. The requirement is for all partnerships to draw up a Capacity Development Plan to demonstrate how they are securing community participation. Each partnership is charged with developing a Community Action Plan where key regeneration issues are identified, including how they will be addressed. A Community Vision Framework provides a framework for action to achieve improvements in the quality of life in the communities. A Communities First Network has been established to support the ongoing work of the CF initiative.

CF projects have essentially involved supporting the development of partnerships, funding initiatives that actually get people involved and participating in community development, providing support and resources for community organisations to develop, and supporting service delivery organisations to adopt new ways of working.

Examples of CF activities include a programme jointly developed by Conwy County Borough Council, CF workers and local residents, which aims to allow council staff to understand how people's experience of social exclusion can affect their access to the services they are offering. Another example is the Dulais Valley Community Transport scheme, which claims to have a real impact in improving the local provision and access to transport, which in turn has assisted with other issues including helping to tackle barriers to employment and training opportunities.

Key issues, challenges and barriers

Linking economic and social strategies

An important element of meeting the economic needs of deprived people and communities is how economic and social policies and spending interrelate. The most obvious example of this is the current priority for increasing employment rates, which is relying heavily on the roll-out of the various welfare to work programmes where employer engagement, skills provision, and social and health service support are more closely integrated (e.g. Pathways to Work and Want2Work). Some interviewees expressed a view that this is an important policy shift in relation to a more joined-up

approach to employment policy. However, there is also the view that reaching the targets in terms of moving people from Incapacity Benefit to work presents some serious challenges for health and social services, not to mention the community and voluntary sector, which has been assigned a role in programme delivery.

One way of also establishing the link between economic and social development is to analyse spending. However, there has not been the same review of spending on regeneration and deprivation in Wales as there has been in Scotland. This raises two issues. First, there is currently no evidence base available to assess how infrastructure and larger-scale regeneration projects actually benefit deprived areas. A WDA officer interviewed for the study accepted that the social aspects of larger regeneration projects were not subject to as much scrutiny as they could be. Second, there is a question as to what extent the transfer of economic development functions into WAG will improve the linkages with the social agenda.

Governance and partnerships

There is a view that Community Strategies could be the key to a more joined-up approach to regeneration in that they are:

> … intended to bring together all those who can contribute to the future of communities within a local authority area, to agree on the key priorities for the area and pursue them in partnership. As such, the preparation and implementation of community strategies will involve the local authority and a wide range of organisations in the public, private, and voluntary and community sectors as well as local people.
> (WAG website: http://new.wales.gov.uk/topics/localgovernment/partnership/commstrategies/?lang=en)

These strategies relate to economic, social and environmental regeneration and, as such, are key to setting out the priorities for tackling the economic needs of deprived areas.

Community Strategies also involve partnerships and some interviewees considered that, while the principles of these strategies are important for co-ordination and joining up, they could also become a potential burden. This is because local authorities have to produce many strategies and engage with many partnerships to the extent that partnership fatigue sets in. Also, the extent to which Community Strategies engage with other partnerships and strategies in any meaningful way

has been questioned. A recent evaluation report on Community Strategies in Wales (WAG, 2006b) expresses the concern that Community Strategy partnerships often do not have the power to influence other partnerships.

Furthermore, it was considered by some interviewees that managing partnerships requires resources and a time input into partnership commitment that is often underestimated. There is insufficient evidence in terms of whether partnerships, policies and programmes are effective. As a Wales Audit Office review of councils' regeneration activity in Wales comments:

> … many councils do not systematically review their own, joint or other regeneration partnerships' performance to determine whether or not they are still delivering against objectives.
> (Wales Audit Office, 2005)

The cluttered landscape of partnerships can hinder rather than facilitate regeneration. As the Wales Audit Office report states:

> There is evidence to suggest that major Assembly initiatives such as Communities First, Health, Social Care and Well Being Strategies, Local Development Plans and County Strategies are not so coherent and integrated as might be expected, particularly by stakeholders who face the challenge of making the connections (or not) at the local level.
> (Wales Audit Office, 2005)

These comments relate essentially to horizontal integration, but the increasing importance of the Wales Spatial Plan will pose a number of challenges about vertical linkages between the different levels of governance within a new regional agenda.

Community development and regeneration

As described earlier in this chapter, Communities First (CF) is WAG's flagship programme for tackling poverty and deprivation. Its guiding principles of embodying a strong community input and control of decision making set it apart from other neighbourhood and area regeneration programmes in the UK according to a recent evaluation undertaken for the Welsh Assembly (WAG, 2006b). The evaluation acknowledges many achievements relating to CF, particularly in the establishment of successful partnerships where there is active community engagement and the design of a number of innovative projects out of local consultation. However, both

the evaluation report and stakeholders interviewed expressed views about some key issues that need to be resolved in order to make CF more effective. These are summarised as follows.

■ Role of the Welsh Assembly – a distinct impression was gained from interviews that not all within WAG had signed up to the CF concept or viewed it as a key priority. This may also reflect the 'silo-based' organisation of WAG; there was 'little evidence of strong collaborative linkages' according to the evaluation report (WAG, 2006b).

■ At the local authority level, a view was expressed that collaboration with local authorities was not as good as it could be. One CF worker noted that:

> The local authority consistently fails to consult community organisations even when they should within the guidelines of what the Welsh Assembly consider to be what local authorities should do. When we challenge the local authority it does not seem to make any difference and they still ignore us!

■ As the report states:

> … some local authorities do not actively engage with Communities First or only fulfil the personnel and line management functions of an employer, if they are the grant recipient body.
> (WAG, 2006b)

■ The Communities First partnerships are seen as delivering on different fronts but there is little evidence that communities have been able to bend mainstream programmes to any significant degree.

■ While it is possible to identify good practice and innovations, the actual impact of the CF on deprived areas and communities is less obvious. As the evaluation report suggests:

> Communities First is still a long way from producing the regeneration outcomes that were and are still its main aims. Nearly all areas have an established partnership, many of these are fully functional but there are a significant number which are not. Although projects are community led, they are not reaching the more disadvantaged groups in the communities.
> (WAG, 2006b)

Despite current funding opportunities, community organisations face barriers in developing their role in the CF partnerships. Many organisations are stretched in terms of staff and resources, and the complexity of the programmes and uncertainty of funding, together with the resources required to access funding, create a number of barriers to participation.

Limitations of supply-side policies

There is a definite consensus (as reflected in the views expressed at the Wales Workshop) that *both* demand- and supply-side policies are important for tackling the problem of large numbers claiming Incapacity Benefit. In general, current initiatives such as Pathways to Work and Want2Work are broadly welcomed. There are, however, reservations from some interviewees about the current emphasis on supply-side measures.

First, the problem of 'depressed demand' in terms of employment is not fully recognised. This is a particular concern in the Welsh Valleys. Beatty *et al.*'s (2005, p. 33) analysis of the coalfields suggests that a recovery has taken place – or 'the coalfields are bouncing back from the hammer-blow of coal job losses', but the more difficult issue is the scale of the recovery. Coal rationalisations took place at a time when the UK economy was undergoing a severe depression (late 1970s and early 1980s) so there was a 'high inherited level of unemployment' in the first place. Demand-led approaches at different levels of governance are therefore as important as the current welfare to work programmes.

Second, there is a view that low-paid and entry-level jobs provide important 'stepping stones' into employment. However, sustainable employment (where there is some form of career structure, training and employment rights) is important in order to make work pay. A common observation from interviewed stakeholders is that poor job prospects do not provide an incentive for people to move from Incapacity Benefits into work. Indeed, in-work poverty is an issue that receives relatively little attention, yet a recent report by the Bevan Foundation and New Policy Institute (2006) has estimated that, in 2005, 28 per cent of the Welsh labour force was low paid (earning less than £6.50 per hour). Between 2002/03 and 2004/05, an average of 160,000 people at any one time were living in households in Wales where at least one adult was doing paid work, yet where the income after housing costs was below 60 per cent of median income (the poverty line). There are initiatives in place or in the proposal stage by WAG to address in-work poverty, such as integrated tax and benefit advice and financial exclusion strategies.

Third, barriers to work are complex and, while skills and health interventions are important, other areas of provision such as childcare, transport, housing and combating employer discrimination are also necessary. As the JRF report on poverty and social exclusion in Wales states:

> … there are many aspects to the problem of poor access to health and social services. Low levels of knowledge about what is available is one. Limited mobility is another. Cost in time and money is a third, with those on lower wages less able to afford time off work to address health matters. These barriers affect disadvantaged groups disproportionately, poor access being both a cause and consequence of other forms of deprivation and exclusion.
> (Kenway *et al.*, 2005)

And, fourth, unemployed people who do actually succeed in moving into work are faced with job insecurity. Kenway *et al.* (2005) found that nearly half of men and a third of women making a new claim for Jobseeker's Allowance were last claiming this benefit less than six months ago, indicating that many of the new jobs that unemployed people go into last less than six months.

Competitive strategies and their limitations

Many of the strategies that are being developed have a strong competitive focus. This is certainly the case for the Cardiff city region, which seeks to promote a number of large projects seen as beneficial to the Welsh economy, the city region and the Valley hinterland. A number of issues were raised in the interviews.

- The extent to which growth of the city region will be at the expense of other regions in Wales – in particular North Wales.

- A questioning of the assumption of trickle-down effects from development projects and the extent to which deprived areas and communities in the more physically remote areas will benefit from them. An onus will be on the connectivity and transport programmes but encouraging people who have been inactive to commute to new jobs may succeed for some but not for others.

- Related to the above point is the attractiveness of new jobs being created to make commuting worthwhile. The onus therefore needs to be on new employment being more sustainable and higher paid.

- Finally, the gap between Cardiff and other cities in the UK and Europe in terms of 'competitive indicators' is quite substantial and yet playing 'catch up' will be difficult, as other regions (particularly the adjacent more prosperous South West and nearby South East regions of England) will not stop competing with South East Wales for inward investment.

Conclusions

In conclusion, this chapter considers the extent to which devolution in Wales has made a difference in terms of governance and policy interventions relating to deprived areas. Three changes can be identified.

First, in 2006, Wales underwent significant constitutional and organisational changes in that the incorporation of the WDA, ELWa and WTB into WAG represented a 'reduction in quango government'. These agencies have been central to economic regeneration and it is too early to assess how far the aims of increasing accountability, efficiency and more modernised public services will be realised or whether the style and culture of governance will change. This said, it creates the possibility of bringing more aspects of decision making about regeneration into the political arena and within the electoral process.

Second, WAG has initiated and led on a scheme in collaboration with Jobcentre Plus Wales, the Want2Work pilot, with the aim of assisting unemployed people and those claiming health-related benefits in a number of deprived wards. Want2Work is different in that its mode of delivery involves outreach work and beneficiaries are not subject to benefit sanctions.

And, third, the Communities First programme, which is focused on the most deprived areas in Wales, differs from other neighbourhood and community regeneration programmes in the UK in that the community takes a much more central role in shaping local strategies.

The key challenge that Wales faces in its deprived areas is to transform the labour market, which significantly reduces the number of people on incapacity and health-related benefits, to increase incomes of those who are reliant on state benefits through better take-up and to improve the quality of jobs that are created. While improving joined-up working between different levels and agencies of governance is identified as important, the need for adequate resources to maintain the momentum of regeneration programmes is also seen as vital.

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Welsh Assembly Government Social Justice and Regeneration – Head of Research and Information

Welsh Assembly Government – Head of Economic Research

Welsh Assembly Government – Head of Communities First Programme

Welsh Assembly Government – Education and Training Division

Cardiff Council – Head of European Unit

South East Wales Economic Forum – Co-ordinator

North Wales Economic Forum – Co-ordinator

Wales Anti Poverty Alliance – Co-ordinator

Wales TUC – Research Officer

Wales Council for Voluntary Action – Communities Co-ordinator

Heads of the Valley Initiative – Director

Community First Dowlais – Co-ordinator

Bridgend Pathways to Work – Education and Training Division