Local Trust
trusting local people

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Funding for neighbourhood regeneration

Summary

Over the years, policymakers have spent significant sums of money on programmes designed to improve the poorest parts of the UK. There were EU structural funds, the UK Shared Prosperity Fund and pots of money under the banner of 'levelling up'. Now, Labour is inheriting a messy funding landscape for neighbourhood regeneration – a patchwork of initiatives and resources with no coherent strategy, and no clear direction.

Reflecting on the past 30 years of regeneration policy – its successes, and its failures – this paper recommends two things. First, establishing the Community Wealth Fund (CWF) to target the places most in need. The fund had almost reached delivery stage when it was left in limbo by the dissolution of Parliament in May 2024. It is intended to bring the most deprived parts of the country up to a minimum baseline, with non-competitive, endowment-style funding for capacity building in the 225 neighbourhoods that rank lowest on the Index of Multiple Deprivation and the Community Needs Index.

Its budget would come from the Dormant Assets Scheme – an initiative that allows unclaimed financial products, such as bank and building society accounts, to be used for good causes. The idea is already supported by Labour peers in the House of Lords as well as nearly 800 civil society organisations, employers, regional mayors, financial institutions, and more than 50 local and combined authorities.

Second, we propose reforms to the way general funding for local economic development is allocated, so that every penny stretches as far as it can. Looking back at policy efforts over the last few decades, it's clear that mainstream funding for regeneration – such the 'levelling up' pots – could have been used more effectively. We propose the following principles:

1. Instead of asking local authorities or voluntary groups to bid for money, funds should be allocated on a needs basis, targeting the most deprived areas first.

2. Funding should not be tied to particular measures – rather, communities themselves should be asked to identify the things they need to achieve the desired outcomes, so that money is not wasted in a system that is too prescriptive.

3. Regeneration funding should outlast short-term budgets and electoral cycles, with slow, patient investment over at least 10-15 years rather than 'quick wins'.

4. It should be complemented by dedicated support for local authorities, to help them improve the provision of local public services.

Introduction

England's neighbourhoods are essential to national renewal. But among them is a group that has been hardest hit by the forces of economic decline, austerity, and a loss of social infrastructure. These doubly disadvantaged places overwhelmingly face higher crime rates, lower educational attainment, worse health and fewer job opportunities. Compared to the national average, they are twice as likely to receive universal credit, and experienced up to 50 per cent less growth in output between 1981 and 2018 (APPG for 'left behind' neighbourhoods, 2023).

Previous governments have spent money on a range of programmes designed to improve the prospects of these communities. For a while they benefited from European Structural and Investment Funds. After Brexit, the idea was to replace this money with the UK Shared Prosperity Fund. But now, Labour is inheriting a messy funding landscape for local regeneration – a patchwork of programmes and resources ranging from mainstream economic development under the banner of 'levelling up' to dormant asset funds allocated outside HM Treasury.

Investing in these neighbourhoods will be critical to achieving Labour's missions and securing meaningful economic growth. But less clear is where the money will come from, or how it will be administered. Devolution will matter a great deal, putting decision-making into the hands of people closest to the effect of those decisions. And history teaches us that local regeneration is most effective when it is precisely targeted at small geographic areas, reaching the neighbourhood level where it can have the greatest impact.

This paper provides an overview of existing funding for neighbourhood regeneration, and prospects for the future. It recommends how existing money can best be used, particularly in the most disadvantaged areas, and offers some vital tests future initiatives must meet if they are to make a difference.

Why past efforts failed

The Conservative government's 2022 Levelling Up White Paper contained a welcome recognition of the need to reduce geographic disparities. The ultimate failure of this agenda, however, holds important lessons for local economic development and regeneration.

First, **funding decisions were too centralised**. With most choices made by the then Department for Levelling Up, Housing & Communities, money was not allocated according to local needs, but instead a national appraisal system (APPG for 'left behind' neighbourhoods, 2023). There was often a bias towards 'shovel-ready' projects that looked likely to give the government a quick win. Two years into the programme, a paper published by the Public Accounts Committee found that less than 12 percent of promised levelling up funds had been spent and were making a difference on the ground (Public Accounts Committee, 2024). Fatally, it found "no compelling examples of delivery".

Second, **the system relied on a competitive bidding process**. This put some councils at a disadvantage – again, favouring quick wins rather than actually addressing local needs – as well as coming with a heavy financial burden. Councils, already stretched, found themselves putting time and resources into bidding for stop-start, short-term funding, in far smaller amounts than had already been cut from their budgets (Pope,2023). The Local Government Association estimated that the bidding process cost each local authority around £2.25 million a year, largely wasted (LGA, 2024).

Crucially, even where funds were secured, **the areas most in need of support missed out**. The policy was simply too broad. Local authorities can cover a population of up to 1.5 million people, and have many pockets of deprivation within their boundaries. Without highly specific targeting, it was easy for smaller neighbourhoods to be overlooked. Few levelling up funds reached doubly disadvantaged areas, which are often postwar social housing estates on the edge of towns or cities, or coastal villages.

These residents feel they have been forgotten by government – national and local. On our visits, the term most used is that they have been 'asset stripped' of services and facilities over the years because of reductions in public spending. The perception is that investment available to local authorities inevitably gravitates towards city and town centres. Levelling up funds did little to address this belief.

Rather than operating at the local authority level, then, future programmes should be much more targeted, focusing instead on smaller patches of 10,000 people or fewer. This is not only better value for money, but will go a long way to restoring a sense of trust and agency in places that have historically been overlooked.

Our expertise

Local Trust is an independent charity established in 2012. For more than a decade, we have administered the Big Local programme – a neighbourhood regeneration scheme aimed at pockets of the country that have historically been overlooked for funding.

We work in 150 deprived neighbourhoods (with populations of 10,000 or fewer) across England, which have each received just over £1 million in funding from the National Lottery Community Fund. It is the largest neighbourhood-based investment programme since the New Deal for Communities.

Big Local provides success stories of building confidence and capacity in the most deprived neighbourhoods. Our experience is that community-led, and comparatively low-cost, solutions are extremely effective in supporting prevention across nearly every metric (Demos, 2023). The long-term evaluation of the programme outlines, above all, just how important social infrastructure is to achieving change in the places that need it most (TSRC, 2022). The common factors for success are:

1. **Spaces and places:** Community halls, leisure centres, parks, etc.

2. **An active and engaged community:** Local leaders, organisations and social clubs.

3. **Physical and digital networks:** public transport connections, websites, WhatsApp groups, notice boards, newsletters, etc.

A new approach

If past efforts have failed, how can regeneration schemes be more effective in future? Where should the money come from, and how should it be used?

As an initial step, we propose the creation of an independent **Community Wealth Fund.** This would be a highly targeted fund designed to tackle the most severe pockets of deprivation first – a 'precision strike' to bring the poorest neighbourhoods up to a minimum baseline. Rather than allocating money with a blanket approach – or political favouritism – the CWF would finance capacity building in the 225 most deprived areas as defined by the Index of Multiple Deprivation and the Community Needs Index.

Capacity building can take time. Developing sustainable, community-led civic organisations and institutions typically takes longer than average government spending settlements and electoral cycles (CCHPR, 2019). The fund should therefore be designed to outlast the day-to-day churn of Whitehall, and the changing of ministers and priorities. Ideally it would provide **non-competitive, endowment-style funding** over the course of at least 10-15 years, providing communities a guaranteed source of investment.

If done right, the CWF would also help communities to acquire and operate their own assets over the long term. These might be vacant or derelict buildings that could be used for local activities and enterprises, helping to bring in revenue for the neighbourhood.

The CWF would be designed to complement mainstream funding for economic development, not duplicate it. It would target 'cold spots' that have historically missed out on resources, helping the poorest communities catch up to areas with preexisting civic capacity. By design it would fund things for which there is no government department or dedicated programme already – thereby passing the 'additionality' test, rather than replicating or replacing existing public services.

Where would the money come from?

We propose that the fund could be created using the **Dormant Assets Scheme** – an initiative that allows unclaimed money sitting in private bank accounts to be used for good causes, in the event these savings can't be reunited with their owners.

Following cross-party pressure, principally from the Labour Party in the House of Lords, the last government agreed that such a fund could be created. The existing Dormant Assets legislation provided money for three classes of recipients; the idea was to add a fourth beneficiary – so that "community wealth funds" could be used to provide "long-term financial support for the provision of local amenities or other social infrastructure".

The proposal was backed by an alliance of **nearly 800 organisations** from across civil society and the public and private sectors, alongside support from regional mayors, financial institutions, and more than 50 local and combined authorities. A government consultation also received an overwhelmingly positive response, with submissions from over 3,000 respondents. Secondary legislation was passed and a technical paper published. However, the general election was called before all the details could be worked out. Coming into government, Labour now has the chance to renew this idea and unlock dormant funds for the benefit of the most deprived parts of the country.

How much money is needed?

There has been some debate about how much money from the Dormant Assets Scheme could be used for a Community Wealth Fund. The last government was inconsistent, and the figure kept changing. In October 2023, it announced that £87.5 million could be dedicated to the fund to be spread over four years (from 2024 to 2028). To give communities more certainty and stability, we recommend that funding is guaranteed for longer – ideally over a period of 10+ years – so that initiatives are not rushed. We would also propose a figure closer to **£225 million**, which would provide £1 million per neighbourhood if the programme was to reach each of the doubly disadvantaged areas.

Getting this right is important. Dormant asset funding could provide as much as £800 million to tackle poverty over the next decade. This money is not allocated by HM Treasury and represents a major potential resource to support the transformation of our most deprived communities. Crucially, this would not be a sunk cost but an investment in future growth. An independent assessment by Frontier Economics estimates that every £1 million investment in community-led social infrastructure could generate approximately £3.2 million in economic benefits over a ten-year period (Frontier Economics, 2021).

Evidence based reforms

Alongside a dedicated fund to target the most severe deprivation, there are some wider reforms the government can make to improve mainstream spending on local regeneration. These are existing funding streams, such as the UK Shared Prosperity Fund, the Community Ownership Fund, or the Long-Term Plan for Towns. If done right, place-based budgets can be impactful and long-lasting funding programmes, with community control at their heart. Learning from past mistakes, then, future initiatives should meet two tests:

1. Funding should be **attuned to local needs**, rather than predetermined outcomes. Because places have inherent differences – one place might lack natural green spaces, while another has a park – communities themselves should be asked to identify the things they need most, so that money is not wasted in a system that is too prescriptive.
2. Money should be **targeted** to the areas that need it most. Mainstream funding tends to be competitive; it requires local authorities or voluntary groups to bid for money, rather than allocating funds to the poorest areas. Instead, we recommend that funding is allocated to the most deprived communities as defined by the Index of Multiple Deprivation and the Community Needs Index.

Decisions about funding should go hand-in-hand with the devolution of power and appropriate capacity building. Labour has clearly stated its ambition to "transfer power out of Westminster, and into our communities" (The Labour Party, 2024). We also recommend dedicated support for local authorities, who have seen their budgets stretched to the point of bankruptcy. The Local Government Association estimates that budgets have been cut by 27 per cent in real terms since 2010 (LGA, n.d.).

In some cases, local authorities can use the resources and assets already available to them to meet community needs and aspirations by pooling money. One precedent for this is the 'Total Place' programme of 2009. Its premise was simple: when public money is spread across a range of local services – social workers, probation officers, job coaches – people might duplicate the efforts of their colleagues in a different department, without realising it. This makes life harder for people, particularly those with complex needs who have to interact with a dozen or more professionals across different agencies.

It's also wasteful – a core aim of Total Place was to give local authorities the power to aggregate spending, bringing previously disparate budgets together under one umbrella. There was also a strong focus on prevention. In Birmingham it was estimated that every £1 spent on early intervention saved £4 later on, reducing the number of issues to be dealt with by frontline service providers. The scheme didn't last long, having been conceived towards the end of the last Labour administration – but its early results were promising. New Local's recent report with former Secretary of State for Communities and Local Government John Denham considers what the necessary steps and reforms to public services would be to make Total Place work in 2024 (New Local, 2024).

Conclusion

The UK sorely needs targeted, long-term investment in the most deprived parts of the country. The government has inherited a range of funding pots to do this, many of which had the right aims but were simply too broad to make a meaningful difference. This paper sets out two ways to help: a dedicated Community Wealth Fund to target the places most in need, alongside broader changes to funding for local economic development. This is a glimpse into a future where investment in our poorest neighbourhoods can make the economy work better for everyone, putting power into the places that need it most.

The Community Wealth Fund

The campaign for a Community Wealth Fund (CWF) has been led by the CWF Alliance – a group of nearly 800 organisations from across civil society and the public and private sectors – and supported by leading regional mayors, a growing number of financial institutions, and more than 50 local and combined authorities. It envisaged the CWF as an independent fund, designed to provide support and funding over the long term to reinvigorate England's doubly disadvantaged neighbourhoods.

The CWF Alliance has called for the funding to be governed by the following principles:

- Long-term, patient funding (10-15 years)
- Investment directly into doubly disadvantaged neighbourhoods
- Community-led decision making
- Appropriate support provided to build community confidence and capacity

These principles are based on the learning from previous government and charitable funding initiatives, including the Big Local programme. This shows the key elements for success include long-term funding of at least 10 years, community involvement embedded at every stage of design and delivery, and support and guidance throughout to ensure the best outcomes for residents (CCHPR, 2019).

Key recommendation:

Labour should use a dedicated Community Wealth Fund to target investment into the doubly disadvantaged communities that need it most. These are the top 10 percent most deprived neighbourhoods, as defined by the Index of Multiple Deprivation and the Community Needs Index. The party should also consider putting additional funds from underspends on existing 'levelling up' funds to increase the number of communities that are able to benefit from the programme.

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About Local Trust

Local Trust is a place-based funder supporting communities to transform and improve their lives and the places where they live. We believe there is a need to put more power, resources and decision-making into the hands of local communities, to enable them to transform and improve their lives and the places in which they live.

We do this by trusting local people. Our aims are to demonstrate the value of long term, unconditional, resident-led funding through our work supporting local communities make their areas better places to live, and to draw on the learning from our work to promote a wider transformation in the way policy makers, funders and others engage with communities and place

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Local Trust

Canopi | 7-14 Great Dover Street | London SE1 4YR
General enquiries 020 3588 0565 Registered in England and Wales
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