Local Trust
trusting local people

Making the government's missions work in neighbourhoods

2 Economic growth – in every neighbourhood
Getting the social conditions right

"I want to outline the first steps… taken to fix the foundations of our economy… so we can rebuild Britain and make every part of our country better off." Chancellor of the Exchequer, Rachel Reeves MP

Summary

The new Labour government hopes to "secure the highest sustained growth in the G7" (Labour Party, 2023). To achieve this, it has proposed a wide-ranging agenda, including local economic strategies and plans for greater devolution.

But one area that we believe has been overlooked to date – and which will be critical if we are to tackle the root cause of low growth **– is a plan for capacity building in the most deprived neighbourhoods of the country.** By this we mean rebuilding the community groups and neighbourhood associations that, in turn, catalyse wider economic initiatives – from setting up local training schemes to restoring derelict buildings or investing in community-owned assets. This kind of civic capacity building **at a neighbourhood level** is a critical enabler of lasting regeneration. It is a proven, cost-effective way to involve people in regenerating their own neighbourhoods, **and become self-sustaining**, without the need for ongoing funding.

As a starting point, Local Trust has identified 225 neighbourhoods in England that face a double disadvantage of both severe economic deprivation and weak social infrastructure. Compared to the national average these areas experienced up to 50 per cent less growth in output between 1981 and 2018 and the residents of these neighbourhoods are twice as likely to receive universal credit (APPG for 'left behind' neighbourhoods, 2023).

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These hyper-local inequalities are not just an issue of social justice, but a macroeconomic problem. The total productivity gap between neighbourhoods facing this double disadvantage and others is an estimated **£124.1 billion** (APPG for 'left behind' neighbourhoods, 2023).

We recommend:

1. Using the **English Devolution Bill** to hold regional, mayoral and Combined Authorities in England accountable for regeneration in their regions, with a targeted focus on doubly disadvantaged neighbourhoods.

2. **Committing five per cent** of the **UK Shared Prosperity Fund** to support community economic regeneration in doubly disadvantaged neighbourhoods building on the firm foundations the Community Wealth Fund, if properly implemented, will put in place in these areas.

3. Committing funding for the **Community Wealth Fund** from the Dormant Assets Scheme into the future (i.e. beyond the current commitment to 2028), ensuring it is devolved to the neighbourhood level, specifically targeting the most deprived neighbourhoods with weak social infrastructure.

4. That a coordinated **neighbourhood-focused lens** on how this policy area interlinks with others at a hyper-local level should be applied by a dedicated team within government.

About us

Local Trust is an independent charity established in 2012. For more than a decade, we have been delivering Big Local, a neighbourhood regeneration programme 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 last Labour government's New Deal for Communities.

Using the learning from the Big Local programme, we're working to bring about a wider transformation in the way policy makers, funders and other agencies engage with communities.

Introduction

The new Labour government is on a mission to secure the highest sustained growth in the G7. If wages are to rise, if we are to fund the NHS, and if we are to invest in excellent public services, we must grow our economy. To achieve this, ahead of the general election Labour set out initiatives that range from investing in science and technology to reforming the planning system to make it easier to build homes.

But one area that we believe has been overlooked to date – and which will be critical if we are to tackle the root cause of low growth **– is a plan for capacity building in the most disadvantaged parts of the UK.** This will make it easier for residents to work in partnership with the local and national state to regenerate their own neighbourhoods, rather than waiting to feel the benefits of national growth. Crucially this is a mechanism for the new government to close the wealth gap between and within regions, including hard-to-reach pockets of deprivation in otherwise affluent areas.

At Local Trust, this is our area of expertise. We have spent more than a decade delivering the Big Local programme, which has given us a unique insight into hyper-local regeneration. In particular, we know the vital role that community groups and networks play in enabling local economic activity – whether it's revitalising a run down, little used, arcade of shops, providing grants for the creation of micro enterprises, or developing an incubator to support their growth.

The challenge

The problem of economic inequality in the UK is well known. In 2008, we experienced the worst financial crisis for almost a century. Since then, our productivity has stagnated. Too few people have seen their wages and living standards rise. And for the first time in history, Britain's intergenerational promise – that each generation of parents can expect their kids to grow up better off than they were – has been broken.

But there is also another story here. One **not only of economic decline, but a simultaneous loss of social infrastructure and social connection**. In the last decade, community spaces have been shuttered up. Pubs and libraries have closed. Membership of trade unions and social clubs has dropped off. This atomisation has caused a decline in community services, civic engagement, and social cohesion, contributing to worse life outcomes and slower economic growth. And like the wealth gap, this decline is spatial – disproportionately affecting some parts of the country more than others.

Local Trust has identified **the neighbourhoods in England** that face the double disadvantage of both the highest levels of deprivation, and the weakest social infrastructure. These areas experience notably poor outcomes – not only compared to the national average, but also compared to places that are equally deprived but have a basic level of social infrastructure.

Their residents:
- experience higher poverty rates, lower rates of educational attainment, worse population health, weaker local economies, and poorer digital and physical connectivity
- rely more on benefits, with residents twice as likely to receive universal credit (Local Insight, 2023)
- experienced 25 - 50 per cent less growth in output than the rest of the country between 1981 and 2018; and
- have lower productivity and a lower share of skilled workers than similarly deprived areas, and nearly double the rates of work missed due to sickness than the national average.

The total productivity gap between the 225 neighbourhoods that face this double disadvantage, and those that do not, is an estimated **£124.1 billion** (APPG for 'left behind' neighbourhoods, 2023).

Why social infrastructure?

The stark difference between neighbourhoods with strong social infrastructure and those without highlights its importance as an enabler for socioeconomic progress. People need physical spaces to meet – libraries, parks, pubs and community centres - as well as the support and encouragement of community leaders who bring them together to pursue common interests and ambitions.

This foundational social infrastructure is often the single most important factor in the ability of people to catalyse regeneration in their community, creating a domino effect of local economic development initiatives. Particular projects might invest in training opportunities for young people, rejuvenating derelict buildings, upskilling residents, or investing in a community solar farm, but the impact tends to be cumulative – one initiative tending to spawn others.

Further, evidence shows that the presence of these community assets can be a stronger predictor of life outcomes and prosperity than traditional metrics like GDP or household income (Local Trust, 2021).

In 2021, Onward reviewed past government regeneration programmes and concluded that local areas with basic social infrastructure improved more significantly and sustainably than neighbourhoods in which it was lacking (Onward, 2021). Similarly, a Cambridge study which analysed over 40 years of place-based programmes concluded that they were most effective when they:

- focused on a relatively small geographic area (a population of 8,000 to 10,000 people)
- emphasised building community capacity
- empowered local residents involving them in producing of plans
- provided long term funding (10+ years) (Cambridge, 2019).

Conversely, programmes that did not engage communities failed to spark lasting change. Dried up pots of funding and changing priorities were found to quickly reverse short-term improvements.

Our evidence of success

At Local Trust, we have spent over a decade delivering the Big Local programme, supporting residents in 150 communities in England over a period of 10-15 years, with just over £1 million allocated to each neighbourhood.

Big Local in action demonstrates how long-term funding which is spent according to the priorities of local communities can create a basis for sustainable growth that genuinely improves outcomes for local people. Big Local communities have directly spurred local value creation – procuring and hiring locally, incubating local businesses, upskilling residents, and attracting tourism – tapping into previously unrealised potential for local economic development.

The programme shows how deprived communities, with relatively small amounts of funding and confidence and capacity building support, can use their assets, tangible and intangible - cultural or heritage assets, natural resources, community buildings and the ingenuity of local people and their passion and commitment - to create positive local economic change.

The following case studies provide concrete examples of what can be achieved through building community confidence and capacity as a foundation for local economic growth.

Collyhurst Big Local

Collyhurst Big Local- in Manchester - also faces issues with unemployment and skills shortages. Around 1.5 miles from the city centre, Collyhurst has around 3,700 residents. The area had previously experienced failed efforts at regeneration – particularly in the '60s, when its Victorian terraces were swept away and replaced by high-rise flats and maisonettes. Generally lacking facilities, the neighbourhood has only a few shops and some derelict pubs.

In 2013, the Big Local area began to create training and employment opportunities. This included acquiring derelict local properties, one of which was transformed into a small business incubator. The space hosts businesses that hire locally and focus on solving local issues, such as an organic supermarket to address food poverty.

Collyhurst residents also set up a service called 'Yes! Manchester' to support people into work, education and training. It offered a computer suite to all residents, alongside partnering with other agencies to support new social enterprises and start-ups. The partnership brought in specialist support to set up a local café, a furniture upcycling shop, and a construction training academy.

Ambition Lawrence Weston

Lawrence Weston is a post-war housing estate on the outskirts of Bristol with deprivation levels among the highest in the UK – particularly when it comes to skills, income and employment.

In 2012, it was chosen to be one of 150 communities in England to benefit from the Big Local programme. Residents operate a community centre, have created hubs for training and careers advice, as well as partnering with transport providers to establish new bus routes to connect people with employment centres.

One of their most impactful projects was attracting a low-cost supermarket to the area by commissioning research which demonstrated demand. This has brought new jobs to the estate and has given residents access to cheaper food – previously their only option was an expensive convenience store.

Their work on fuel poverty inspired the building of a solar farm and a wind turbine project, which not only provides clean energy but also a lasting source of income to support community activities. Ambition Lawrence Weston is developing plans with a university for a net zero skills academy since its experience is that these much-needed skills are in short supply. All told, the community has attracted around **£5.5 million of external investment.**

Dover Big Local

Dover Big Local has around 8,000 residents. 30 per cent of the adult population have no qualifications and more than a third of children are growing up in poverty.

The target neighbourhood for the Dover Big Local partnership includes the area around Dover train station and the Charlton shopping centre, as well as the main high street – an important focus for tourism. Although Dover has pockets of wealth and is attractive, with its mediaeval castle and iconic white cliffs, the town has also seen a sustained decline over recent years. Boarded up shops are increasingly common; major employers like Debenhams have retreated from the high street, while small businesses also struggle to compete with online retailers.

Dover residents have used their Big Local award to attract tourism, promote local businesses, and improve resident employability. To promote tourism, they organised a marketing programme called "Destination Dover" which brought together partners including English Heritage, Dover District Council and Dover Town Council. The group promotes events like the Dover regatta, a winter market, bike rides and channel crossings.

The goal was not to depend on tourist spending, but to create a wider self-sustaining local economy. An important step, for example, was the creation of a co-innovation space in an old retail unit on the high street. This provided space for smaller retailers with lower overheads to get started. Those involved in managing the space eventually set up a community interest company (CIC) and moved to a long-term site. Many retailers progressed into their own high-street spaces or went on to sell their products to larger brands.

The Big Local partnership also provided employability and careers advice and jobs training for residents. It has also worked with the local college to secure better alignment between its training offer and the needs of local employers.

Towards a new economic model

The national growth that the new Labour government seeks is dependent on unlocking the potential of disadvantaged neighbourhoods and reducing the inequalities that make the British economy less productive.

As the new government looks towards a renewed national plan for growth with greater devolution of powers, neighbourhood focused programmes can create resilient local economies while improving prospects in pockets of disadvantage. We need to "rebuild the value chains of local economies", direct resources to hyper local areas and connect people in the most deprived areas to opportunities that they can benefit from (Sheffield, 2018).

Our recommendations

The government's mission of sustained growth recognises the complex interrelationship between inequality, productivity, and economic development – but an effective growth policy must respond to the challenge of entrenched spatial inequality at the neighbourhood level. For it to achieve its aims, it must breathe new economic life into the most disadvantaged neighbourhoods while working to rebuild their social fabric.

We recommend:

1. A programme of 'double devolution' via the **English Devolution Bill**, which should commit regional, mayoral, or Combined Authorities in England to develop strategic plans for their regions, with a targeted focus on those neighbourhoods suffering from the double disadvantage of severe deprivation and a lack of social infrastructure. Labour should ensure that regional authorities commit to delivering these programmes as a key responsibility of devolution agreements while incorporating capacity building and support for social infrastructure into their plans for development.

2. Guaranteeing **five per cent of the UK Shared Prosperity Fund** to support economic regeneration in doubly disadvantaged neighbourhoods, encouraging local government to develop a facilitative and enabling approach and the formation of strong partnerships between local authorities, community organisations and local people to secure long-term local economic development.

3. Committing funding for the **Community Wealth Fund** from the Dormant Asset Scheme into the future (i.e beyond the current commitment to 2028), ensuring it is devolved to the neighbourhood level, specifically targeting the most deprived neighbourhoods with weak social infrastructure.

4. That a coordinated **neighbourhood-focused lens** on how this policy area interlinks with others at a hyper-local level should be applied by a dedicated team within government.

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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 in which they live. We believe there is a need to put more power, resources, and decision-making into the hands of communities. We do this by trusting local people. Our aims are to demonstrate the value of long term, unconditional, resident-led funding, and to draw on the learning from our work delivering the Big Local programme to promote a wider transformation in the way policy makers, funders and others engage with communities and place.

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