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Economic Strategies

rapid research

Understanding the rollout of the Working Neighbourhoods Fund

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Introduction

In November 2007, as part of the Comprehensive Spending Review, the Government made a commitment to change the focus of the Neighbourhood Renewal Unit. Since March 2008, programmes such as the Neighbourhood Renewal Fund and the Safer Stronger Communities Fund no longer exist in their previous form. They are now part of a new approach to regeneration focusing on economic development and enterprise in the most deprived areas: the Working Neighbourhoods Fund. In a move away from previous approaches to regeneration, that have taken a more holistic approach to regeneration, the new Working Neighbourhoods Fund brings economic development to the fore, and in particular offers a greater emphasis on the problems of worklessness and low skills.

Earlier this year, CLES reported on the initial reaction to the Working Neighbourhoods Fund, and found that for many practitioners the move to the new worklessness focused fund had been controversial. Many people were wary as to what the Working Neighbourhoods Fund would mean for community-based regeneration, with the concern that projects without a direct focus on worklessness would miss out on funding. There was also found to be a real concern amongst the third sector that the introduction of the Working Neighbourhoods Fund threatened the future of initiatives and projects that were tackling worklessness, albeit in more holistic ways.

Six months on, this CLES Rapid Research seeks to examine how local authorities intend to use their Working Neighbourhoods Fund allocation. Whilst CLES' previous research focused on the initial reaction of local authorities and third sector organisations to the change to the Working Neighbourhoods Fund, this Rapid Research moves the debate forward and considers *how* the Working Neighbourhoods Fund will, and is, being used. Through speaking with regeneration practitioners from a range of local authorities from the North West, the North East and London, the article considers:

- ❑ what were their initial responses to the change to the Working Neighbourhoods Fund, and has their opinion changed?
- ❑ how is their local authority spending or planning to spend the Working Neighbourhoods Fund?
- ❑ what do they see as the main strengths and weaknesses of the Working Neighbourhoods Fund?

- ❑ what has been the impact of the shift from Neighbourhoods Renewal Fund to Working Neighbourhoods Fund on the third sector?
- ❑ has worklessness moved up the policy and political agenda in their local authority?
- ❑ does the Working Neighbourhoods Fund have the potential to tackle long-term issues?

Background to the Working Neighbourhoods Fund

The National Strategy for Neighbourhood Renewal (NSNR) was introduced in 2001 as a key programme in the Government drive to reduce deprivation. The NSNR aimed, through a series of initiatives and funds, to tackle the deprivation of England's poorest neighbourhoods. The Strategy focused on key areas of decline across the country by attempting to address six key domains that contribute to deprivation, namely: employment and economies; crime; education and skills; health; poor housing; and liveability, which seeks to address problems relating to the physical environment and public spaces in the most deprived neighbourhoods.

Significantly, the NSNR can be seen as a holistic approach to regeneration in that it recognised how different aspects of a person's life were connected. For example, social determinants of health or a lack of suitable childcare may act as barriers to an individual entering the labour market. As such, the strategy was much wider in its remit with an emphasis on neighbourhood regeneration. The Neighbourhood Renewal Fund was the key funding source to emerge from the National Strategy for Neighbourhood Renewal, providing a combined total of £1.875 billion to the 88 most deprived local authorities in England throughout the period of 2001-2006. Between 2006-2008 a further £1.05 billion was allocated to the 86 most deprived areas. Local authorities were granted the opportunity to use the funds supplied by the NRF to the neighbourhoods in the greatest need and tackle the most pertinent issues in their communities. Other significant programmes to emerge from the NSNR included New Deal for Communities, the Safer Stronger Communities Fund, LEGI, neighbourhood management and neighbourhood wardens.

Working neighbourhoods Fund: A new approach

In contrast to the Neighbourhood Renewal Fund, the Working Neighbourhoods Fund (WNF), introduced from April 2008, has 'a more targeted approach'¹, with its emphasis on three key areas: reducing worklessness; increasing enterprise and increasing skills. These themes are perhaps the most pressing facing cities, regions and neighbourhoods and are a key concern at central government level. Recent policy and literature across government departments reflects this focus on these priorities, for example, Welfare Reform Act '*In Work Better Off*', the '*Leitch Review of Skills*', and '*Ready for Work, full employment in our generation*'.

The WNF was launched as part of December's Local Government Settlement and is worth a total of £1.5 billion over the next three years: £450 million in 2008/09; £500 million in 2009/10, and over £500 million in 2010/11. The WNF will provide funding to 65 local authorities in 2008/09, 2009/10 together with funding to 21 transitional authorities. In 2010/11 the 21 transitional authorities will no longer receive the WNF, therefore reducing the total number of authorities receiving the funding to 65. Significantly, the Working Neighbourhoods Fund is unringfenced and distributed through the Area Based Grant, although local authorities will be expected to show how the activity funded through the WNF corresponds with all or some of the headline LAA indicators around this agenda.

There is a degree of local flexibility as to what targets a local authority includes in their LAA depending on the particular issues that they need to deal with in their community. This flexibility is negotiated between the local authority and their corresponding government office. Up to £50 million of WNF reward funding will also be available, this will be awarded to authorities on the basis of their 'performance against all 35 LAA targets but greater weight will

¹ DWP 2007 The Working Neighbourhoods Fund, Page 7 para 12

be given to those identified as being relevant to worklessness² (see table 1 below). Discussions on the reward element of the LAA are currently out for consultation. The authorities we spoke to as part of this research had all listed these indicators as part of their 35 priority areas targets.

Table 1 provides an overview of the main LAA indicators around reducing worklessness, improving skills and increasing enterprise, and shows how these indicators link back to the PSA and other department targets at a central government level. Table 1 also shows the percentage of WNF authorities that have signed up to meeting these targets in their LAA. This shows that the picture is mixed across the priorities, with the skills agenda coming out as a key favourite with local authorities with high percentages of them signing up to tackle the number of NEETs in their area and level 2 qualifications. A high percentage of authorities have also signed up to tackle NI 153 which is focused on those claiming out of work benefits in the worst performing neighbourhoods. Interestingly, if you work out the frequency of WNF authorities choosing one or more of these indicators and the relationship between the indicators and PSA targets, you can start to draw conclusions about the percentage of WNF local authorities who are choosing targets linked back to PSA targets on worklessness. For example, the table shows that 68% of WNF authorities have chosen indicators that relate to PSA 8, whereas you might expect all 65 authorities to list these indicators as priorities in their LAA. Similarly, how are local authorities going to measure progress against these indicators and what impact will this have on their choice of indicator in their LAA?

² CLG (2008) Consultation on the future of the Local Area Agreement Reward scheme

Table 1: Summary of WNF authority LAA indicators and correlation with PSA targets

	Relationship with PSA indicators	% of WNF authorities who have chosen 1 or more of indicators which relate to PSA8/DWP DSO	LAA indicator	% of WNF authorities who have included these indicators in their LAA as one of their 35 priorities
Reducing worklessness	PSA 8 Maximise employment opportunity for all	68%	151 "Overall employment rate"	38%
			152 "Working age people on out of work benefits"	48%
	DWP DSO Maximise employment opportunity for all	71%	153 "Working age people claiming out of work benefits in the worst performing neighbourhoods"	64%
			118 "take up of formal childcare by low income families"	11%
			173 "People falling out of work and on to incapacity benefits"	11%
Increasing enterprise	BERR DSO Promote the creation and growth of business and a strong enterprise economy across all regions	75%	171 "New business registration rate"	75%
Increasing skills	PSA 10 Raise the educational achievement of all children and young people	25%	79 "Achievement of level 2 qualification by the age of 19"	25%
	PSA 14 Increase the number of children and young people on the path to success	92%	117 "16-18 year olds who are not in employment, education or training (NEET)"	92%
	PSA 2 Improve the skills of the population on the way to ensuring a world class skills base by 2020	77%	163 "working age population qualified to at least level 2 or higher"	77%

Implementation of Working Neighbourhoods Fund since April 2008

This CLES Rapid Research sought to understand how the Working Neighbourhoods Fund is currently being implemented at present and how the transition from Neighbourhood Renewal Fund is being managed. However, it is worth noting that it is still early days for the WNF and that some practitioners have yet to witness a significant change in the way that they spend the money, whilst others were still finalising their allocations and waiting for them to be 'signed off' by the relevant government offices. As well as seeking to understand the types of activity that local authorities were planning to use WNF for in their neighbourhoods, we were also interested in the degree to which local authorities were being strategic in their decision making around WNF.

Adapting Neighbourhood Renewal Fund projects to align with Working Neighbourhoods Fund

Despite the increasing prioritisation of worklessness in many local authorities, and the introduction of the WNF, there is evidence that a number of authorities are being pragmatic in the way that they approach this transition and as a result, are keen to retain a broad interpretation of WNF. For example, they were still keen to fund projects that dealt with health and crime issues. In many cases, local authorities are in a process of adapting existing Neighbourhood Renewal Fund projects so that they can be funded through WNF in future. This may mean adjusting the types of targets those projects need to meet, or improving the focus of the project towards worklessness outcomes. Many areas are keen to retain an element of flexibility in the way that they tackle the issue of worklessness and in some cases, respondents we spoke to said that they were continuing Neighbourhood Renewal Fund projects, where appropriate, for the year – acting as a 'transitional period', with a view to fund more explicitly worklessness related projects next year.

Development of evidence base

Some practitioners stated that they were taking the time from now until March 2009 to look closely at the issue of worklessness in their area and develop an evidence base and plan for spending in 2009/10. This evidence base will be important to help local authorities decide which priorities to meet within the Working Neighbourhoods Fund (i.e. either decreasing worklessness, improving skills or increasing enterprise). However, amongst the respondents we spoke to, the development of an evidence base was not consistent across the local authorities, which perhaps indicates that more needs to be done to develop this.

A strategic approach

Significantly, there was inconsistency amongst the respondents we spoke to with regard to their strategy for the introduction of the WNF. Some areas were in a transition process moving from NRF to WNF with funded activity remaining relatively similar. Other areas were adopting a much more strategic approach, for example, Wirral have developed and published a comprehensive commissioning strategy for the WNF in their area. A number of other authorities stated that although they had plans to do the same, this process had not yet been completed. For some, the move to WNF had yet to affect a change in their commissioning process. The fact that in many instances NRF funded projects are continuing to receive funding, means that local authorities are continuing to use the same processes and work with the same partners. One theme to emerge in terms of the strategic delivery of WNF was that there was a clear recognition that the WNF spelled a move away from grants for the third sector to commissioning of the third sector to deliver services. A practitioner we spoke to from a Metropolitan Borough Council commented that they were keen to ensure that third sector organisations had an equitable chance of bidding for delivery of activity which they felt was important to address the priorities in their area, but with the caveat that their work had to 'add value' to existing mainstream activity. Whilst some respondents saw this as offering an opportunity for the third sector to develop, others suggested that, as discussed in previous CLES research, many third sector organisations may not be ready nor able to engage with this process. As such, it appears that whilst there is potential for the third sector to benefit from the WNF (just as local authorities will benefit from the third sector's input) this relies upon the

capacity of the sector to adapt from a grant-based culture to the more commercial culture of commissioning.

Case Study: Wirral Metropolitan Borough Council

In May 2008, Wirral launched its 'Working Wirral' programme and issued a Commissioning Brief providing information for those wishing to apply for the Working Neighbourhoods Fund. Wirral has been keen to move away from allocating resources such as the WNF according to the requirements of particular funding streams, to a process that is driven by defining clear outcomes drawn from its Investment Strategy and commissioning activity to meet them. Working Wirral brings together the Working Neighbourhoods Fund, the ESF Complementary Strand and the Deprived Areas Fund. The Working Wirral programme is shaped by Wirral's Investment Strategy which is supported by a Full Employment Plan and an Enterprise Strategy which provide a framework for linking employment, enterprise and skills activities with economic opportunity.

Wirral Council and Wirral Local Strategic Partnership have now agreed priorities for improvement within the Local Area Agreement, with priorities including tackling worklessness, increasing skills and enterprise levels, and supporting investment and business growth. To support this, Wirral has produced an Investment Framework for Employment and Enterprise to guide how resources from both mainstream agencies and other funding sources can best be used to deliver economic improvement. As a result, all activity commissioned through Working Wirral will contribute directly to outcomes drawn from this framework. In addition the close partnership working underpinning the programme will ensure that activity does not duplicate mainstream provision but targets gaps and adds value to current provision.

Type of activity being funded

From speaking to the participants, it emerged that there are a number of different types of activity that local authorities potentially want to see supported in the future. These activities fall loosely under the three key themes of the fund. One respondent stated that some of the funding would be used to stimulate interest in enterprise activity, as well as celebratory events that highlighted the achievements of role model individuals who had been able to make remarkable changes in their lives. Other types of projects that were due to be commissioned were related to the other key themes around worklessness and skills and included business start-ups in deprived areas; business growth; progression and retention in employment; and engagement of workless individuals. For example, one respondent described how the WNF is going to be used to develop 'Individual Action Plans' for workless individuals as a way of creating sustainable change. This suggests a focus towards people based regeneration. Although, geographically targeted initiatives continue to remain important, for example targeting projects on the Lower Layer Super Output Areas with the highest levels of worklessness (although respondents commented that this would be flexible to meet the needs of those people living just outside these areas). However, because the Working Neighbourhoods Fund is unringfenced, there were also instances of where the funding had been absorbed by activities that perhaps have less focus on worklessness such as crime and safety initiatives including neighbourhood warden schemes and burglary prevention, and also activity undertaken by Youth Offending Teams. In some cases this was due to local political pressure and public concern about antisocial behaviour. However, it demonstrates how some activity, which does not have explicit links to worklessness, will continue to be important in some areas but that the extent of this flexibility will have to be negotiated with the relevant government office.

Moving worklessness up the agenda

More thematically, there is a clear feeling amongst all the respondents we spoke to that the three themes within the WNF agenda, particularly worklessness, had moved up the political agenda in their local authority since the introduction of the Working Neighbourhoods Fund. All of the respondents we spoke to agreed that worklessness was a key problem in their local area and one that their activity and that of their partners was increasingly focused upon within their

LAA. However, many of the respondents noted that although these issues had been given greater focus in the last 12 months, labour market inactivity had long been an important issue, even prior to the shift in funding. For many, worklessness had always featured as a key element of their Local Area Agreement and some expressed frustration that after seven years of NRF, it was still an issue in the most deprived neighbourhoods.

Impact on the third sector

One of the key themes from CLES' last Rapid Research was that there were important concerns among the third sector about the potential impact of the introduction of WNF on the third sector, who have, up until now, benefited from funding through the NRF programme. These concerns were confirmed by many of the officers we spoke to, for example, a regeneration officer from a transitional authority commented that the third sector is facing a difficult time with regard to funding as their will be no follow on WNF when NRF comes to an end. This scenario is compounded in many areas by the end of the major European funding programmes in England and Wales. There are at least two important consequences of these changes.

Firstly, as mentioned above, this suggests an important change from grant distribution to third sector organisations to a commissioning of third sector organisations to deliver or add value to mainstream services. In order to allow this to happen, local authorities are keen to ensure that the commissioning process is 'open' and accessible for third sector organisations, which may be made easier where a strategic commissioning process is in place. Another important factor in enabling the sector to make this change is around developing the capacity of local organisations so that they could adapt to the new regime.

Secondly, the change in funding distribution to the third sector will undoubtedly affect the relationships and partnerships that already exist between local authorities and third sector organisations by impacting on the balance of power, as the local authority changes from a grant giver to a service commissioner. Previously, the third sector has worked relatively close with authorities to provide reach into local communities in order to tackle some of the most deep-seated issues in an area. Undoubtedly, they will continue to fulfil this role but they will be expected to competitively tender for this type of activity in future along with other third sector organisations and potentially private businesses. In addition, in order to fulfil the criteria of a local authority's commissioning strategy, third sector organisations may also need to adjust their own objectives and activities to fit with the nature of the local 'market'. For example, one local authority we spoke to had already committed funding to their third sector coalition (which had been established using the Neighbourhood Renewal Fund) but suggested that in future, with the introduction of the WNF, the coalition would have to reconfigure what they deliver and change their focus in order to remain relevant to the changing agenda.

However, there is some room for optimism. One Head of Regeneration and Economic Development spoke optimistically about the future of the third sector under the Working Neighbourhoods Fund. As the local authority in question intended to use its procurement strategy to engage with the third sector, it was felt that there was potential for this to be a capacity building exercise. They felt that the move to the Working Neighbourhoods Fund was a catalyst for greater partnership working between a number of local partners, including voluntary and community sector organisations.

The strengths and weaknesses of the Working Neighbourhoods Fund

There are a number of strengths and weaknesses that can be extracted from the results of this Rapid Research in relation to the new WNF implementation.

Strengths

□ *Local flexibility of the fund*

As part of the Area Based Grant, the Working Neighbourhoods Fund is unringfenced although it does need to correspond with some of the targets around worklessness, skills or enterprise and

these targets should be written into the LAA. The local flexibility around these targets can be agreed in detail with an area's government office and as such, this relationship is crucial, as is the understanding of the process at a government office level. For some respondents we spoke to, this local flexibility is important as it means that the local authority can locally agree priority issues according to the nature of the issues they are facing in their neighbourhoods. Some felt that this would help generate more innovative and locally responsive strategies to tackle worklessness.

□ ***An increased focus on worklessness***

A clear message from our research is that the WNF has provided greater focus on the issue of worklessness (not necessarily the other themes of skills and enterprise) and many of the practitioners we spoke to welcomed the greater focus that the move to Working Neighbourhoods Fund brings. It is felt that this enables the authority to focus upon key local priorities, which in most instances were indeed worklessness and low skills. This focus had also meant that these issues have moved up the political agenda giving authorities greater political clout to make progress on these issues. In addition, the change to WNF, for some areas, had brought greater levels of funding. One respondent commented that they had been a '*peripheral player*' under the Neighbourhood Renewal Fund and had missed out on funding, but since the introduction of the WNF, their area had been recognised as a priority for tackling issues around worklessness, skills and low enterprise.

□ ***The three-year time scale***

For some respondents we spoke to, the three-year time frame of the Working Neighbourhoods Fund allocation means that local authorities are able to plan strategically for the coming years. This meant that they would be able to affect long term changes in their area, which is necessary considering the often deep rooted causes of worklessness. One respondent we spoke to, who was optimistic about the shift to WNF, suggested that because the fund has a three-year time scale it would give the local authority the capacity essentially to invest in individuals.

Weaknesses

□ ***The unringfenced nature of the fund***

Whilst the unringfenced nature of the fund is strength, for some of the respondents, the flexible nature of the fund is also viewed as a weakness. Whilst it means that local authorities have the opportunity to be locally flexible in how they spend the fund, others felt that the unringfenced nature of the fund made it vulnerable to being misused, i.e. not being specific enough to the priorities, and targets, around low skills, enterprise and worklessness. This led one respondent to suggest that, ironically, the WNF approach may be too holistic and may not result in progress against key LAA targets but be absorbed into current NRF type projects and activities. The degree to which this flexibility acts as a blessing or a curse will depend very much on the lead given by government offices and central government. It will also depend on the effectiveness of the LAA process and the LSP partnership.

□ ***Mixed messages***

A number of the practitioners we spoke to commented that there was a sense of confusion with regard to how the WNF ought to be used, and this confusion was attributed to what they perceived as the mixed messages emanating from central government. In part this was to do with the fact that the WNF has been introduced with little guidance and as a transition from NRF, probably deliberately so. However, there is also the feeling that whilst on the one hand central government are using WNF to stress the importance of the focus on skills, enterprise and decreasing worklessness, on the other hand the fact that the WNF is being distributed as an unringfenced element of the Area Based Grant, with little guidance suggests that the WNF is not nearly so focused as it might first appear. As with so many aspects of public policy, there will be a period of 'settling down' as local authorities start to use the fund in their neighbourhoods and the learning from this experience trickles back to government office and CLG.

□ ***Reduction in funding – transitional authorities***

For some areas, the emergence of the WNF spells the end of their area based funding through NRF and, in the future, these areas will not be in receipt of neither WNF nor NRF.

Conclusions

The results of this Rapid Research provides insight into how the Working Neighbourhoods Fund is being implemented and the transition from NRF, along with the experiences of local authorities as they work to implement the Government's agenda on worklessness, skills and enterprise.

An important element to emerge from this work is the role of the regional government offices in advising and negotiating with local authorities as they make decisions about the targets assigned to the WNF within the LAA. There is a clear opportunity to capture the learning to date from government offices about the nature of the process of rolling out WNF to local authorities and how effectively authorities are managing to make the transition from NRF. On a local basis, the LSP has an important role to play to ensure that expenditure on the WNF helps to fulfil the LAA targets, and if possible result in a reward element for the authority in order to maximise the potential benefits of the new fund. It would be interesting to understand the extent to which LSP partners understand the implementation of WNF and the potential for the funding in their area.

Another important theme to emerge from this work is that the issues that WNF is attempting to focus activity upon are difficult and complex and have not yet been solved, even given seven years investment in NRF. A heightened focus will help, but there will need to be an acknowledgement at central and regional level that these issues are difficult, particularly in the current economic climate, and will require forward thinking beyond the three-year scope of the WNF. The success of local activity to tackle high levels of worklessness will also depend on the ease within which central government can continue to address some of the structural issues around the welfare to work agenda, specifically, the relationship between welfare reform and employment policy. Some of the new measures coming into force this year, namely the new Employment and Support allowance (to replace incapacity benefit) will prove important tests for the success or otherwise of local initiatives funded through WNF.

As acknowledged, the WNF potentially compounds the existing pressures which the third sector is currently under and also once again marks the shift from grant funded activity to commissioning of services. Undoubtedly, the ability of the third sector to adjust to these changes will depend on their capacity and their ability to adapt to the new regime. More needs to be done to assist the third sector understand and manage these changes, particularly those organisations who are dependent on grant funding and are unable to engage with the new commissioning agenda.

The change to WNF also suggests an important change in emphasis from Government towards a more people-based regeneration policy rather than an area based approach. However, the extent to which this happens in reality will perhaps be determined by the way in which local authorities interpret the fund. There is also the question of whether the revised focus will actually play out in reality. Evidence from this work suggests that it has certainly helped to move the key issues further up the agenda, but it is not yet clear whether the implementation of the fund through a range of activity on the ground will actually deliver on this focus within the most deprived neighbourhoods. This is something that will need to be monitored closely as activity funded through WNF develops.

What is particularly interesting about the new fund from CLES' perspective is that it comes with a degree of local flexibility. Local authorities are expected to include targets around worklessness, enterprise and skills in their LAA and there are a number of targets recommended by the Government that they should consider. However, there is also local flexibility to enable authorities to adapt the funding to the particular needs and variations,

which exist in their communities. This is an important devolution of authority, which should encourage authorities to negotiate effectively with government office to get the right deal for their local areas. The reward grant element provides an additional incentive to assist in this process.

CLES broadly welcomes the strong focus of the new WNF on tackling worklessness, boosting skills and engendering new enterprise. We also welcome the opportunity to tailor the new fund effectively according to the particular needs of a local neighbourhood. There is still a way to go however to address all of the concerns around the new fund, particularly the impact on the third sector and the fate of those transitional authorities who will cease to receive any new WNF funding in the future. In addition, within the economic climate in the UK we are faced with the gloomy prospect of economic recession, which may mean a growth in "traditional unemployment". All of us who work in the field of regeneration and economic development need to keep an eye on the economic horizon and how the current storms will impact on our local areas.

This **Rapid Research** was written by Sarah Longlands and Jessica Smith at the Centre for Local Economic Strategies (CLES). CLES can offer support and advice on other aspects of economic development, regeneration or governance.

To discuss this research further or how CLES can assist you please contact Sarah on 0161 236 7036 or email sarahlonglands@cles.org.uk

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