



Centre for Local
Economic Strategies

rapid research

The Working Neighbourhoods Fund, Neighbourhood Renewal and the third sector: The implications of the focus on worklessness.

Rapid Research 11

Authors: Victoria Bradford, Policy Consultant, Matthew Jackson, Senior Policy Researcher, Sarah Longlands, Director of Policy, Jessica Smith, Policy Researcher
CLES (0161) 236 7036, Hvictoriabradford@cles.org.uk, Hmatthewjackson@cles.org.uk, Hsarahlonglands@cles.org.uk, Hjessicasmith@cles.org.uk

1. Introduction and about this Rapid Research

In November 2007, as part of the Comprehensive Spending Review, the Government made a commitment to changing the focus of the Neighbourhood Renewal Unit. From the end of March 2008, programmes such as the Neighbourhood Renewal Fund and the Safer Stronger Communities Fund will no longer continue in their current forms, but will be part of a new approach to regeneration focusing on economic development and enterprise in the most deprived areas.

In the past neighbourhood renewal has fostered an holistic approach to regeneration, but the new programmes bring economic development considerations to the fore and in particular recognise the growing problems of worklessness and low skill levels. The change of emphasis mirrors a broader policy trend that includes the publication of the Welfare Reform Act¹, *In Work, Better Off*,² the *Leitch Review of Skills*³; and more recently *Ready for work: full employment in our generation*⁴, which was published in December 2007. Central to the policy shift is the creation of the Working Neighbourhoods Fund (WNF). The WNF replaces the Neighbourhood Renewal Fund (NRF), and will seek to provide resources to tackle worklessness, increase enterprise and employment, as well as addressing low skill levels. The changing focus of NRF has been supplemented by the new Indices of Deprivation 2007, the official measure of local authority and Lower Layer Super Output level deprivation. This allows the WNF to be concentrated on the most economically deprived areas.

¹ The Welfare Reform Act can be viewed here: http://www.opsi.gov.uk/acts/acts2007/pdf/ukpga_20070005_en.pdf

² Department for Work and Pensions (2007), *In work, better off: next steps to full employment*, HMSO, London, Available at: <http://www.dwp.gov.uk/welfarereform/in-work-better-off/in-work-better-off.pdf>

³ Leitch (2006), *Prosperity for all in the global economy - world class skills*, HMSO, London. http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf

⁴ Department for Work and Pensions (2007), *Ready for work: full employment in our generation*, HMSO, London, Available at: <http://www.dwp.gov.uk/welfarereform/readyforwork/readyforwork.pdf>

However, these changes have been controversial. Many people have expressed concern for the future of community based regeneration, fearing too great an economic slant or the impact of reduced funding, whilst others were worried about the role of the third sector in regeneration following the changes. Therefore, in this *Rapid Research* we seek to explore the impact of the changes on community and neighbourhood regeneration. In particular, we are interested in the impact the changes will have on deprived communities and also on third sector organisations working in these deprived communities. To do this we also sought to explore the impact of the changes on local neighbourhood renewal partnerships and their service commissioning and delivery processes as well as on third sector bodies. This research is particularly timely as we await further guidance on the WNF and what local authorities must do to make the changes work in their locality. As such the preparation of this *Rapid Research* involved three main methods:

- ❑ Eleven interviews with Neighbourhood Renewal Partnership Managers (representing over 10% of NR partnerships) to explore the implications of the changes from NRF to WNF in their area and on their projects and partners;
- ❑ A survey of third sector organisations and four third sector infrastructure organisations, looking at the impact of the changes on their organisation and the how they deliver services, raise funds and bid for service delivery contracts;
- ❑ Two case studies of current third sector NRF activity that stands to be lost with the changes to NRF.

The findings from these three main lines of enquiry have enabled us to explore the following aspects and issues arising from the changes to the WNF:

- ❑ The Working Neighbourhood Fund - what it is, how it has been structured and how does it relate to NRF;
- ❑ Initial responses to the WNF, including local practitioners, neighbourhood renewal managers and third sector bodies;
- ❑ The potential impact of the focus on worklessness and whether worklessness is the right focus for regeneration;
- ❑ What the changes will mean for third sector organisations, including some case studies of how the changes might affect current third sector delivery;
- ❑ The implications of the changes for neighbourhood renewal partnerships and local authorities;
- ❑ The consequences of the changes for wider regeneration policy and practice;
- ❑ We then offer some conclusions and recommendations based on our research.

2. Neighbourhood Renewal and move to the working Neighbourhoods Fund

Neighbourhood Renewal and the Working Neighbourhoods Fund

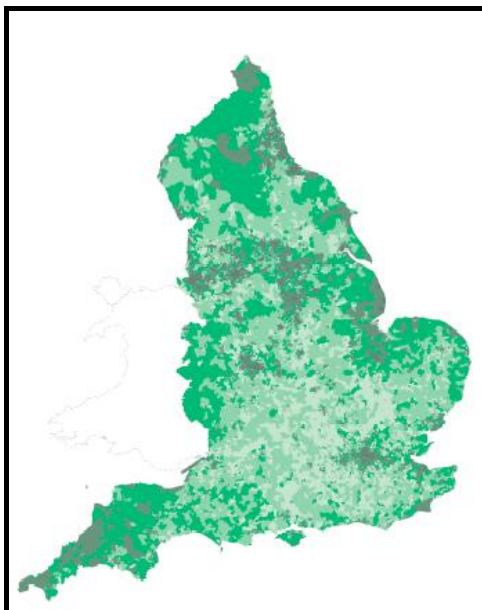
The National Strategy for Neighbourhood Renewal (NSNR) was introduced in 2001 as a key programme in the Government fight to reduce deprivation. The NSNR aimed, through a series of initiatives and funds, to tackle the deprivation of England's poorest neighbourhoods. The Strategy seeks to focus on key 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.

The national strategy was very much a holistic approach to regeneration that sought to make the connection between all these areas of a person's life and to drive improvements in service delivery in deprived areas. A key part of the NSNR was the Neighbourhood Renewal Fund (NRF), which provided a combined total of £1.875 billion to the 88 most deprived local authorities in England throughout the period 2001-2006. From 2006-8 a further £1.05 billion was allocated to

the 86 most deprived areas. Other NSNR programmes include New Deal for Communities, neighbourhood management and neighbourhood wardens, LEGI and the Safer Stronger Communities Fund.

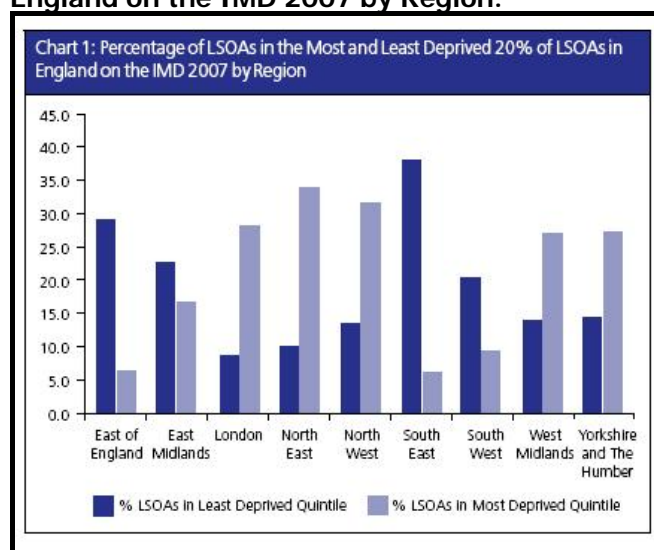
Local authorities had the flexibility to allocate the funds supplied by the NRF to the neighbourhoods in the greatest need in their area and to tackle the issues that are most relevant to those neighbourhoods. The NRF was allocated on the basis of deprivation, according to the Indices of Deprivation 2004. These have now been updated for 2007. However, as can be seen from the diagrams (figures 1 and 2), the North West, the North East and London continue to be the most deprived areas when considering Lower Layer Super Output Area deprivation.

Figure 1: England - Average Score District Level Summary of the Indices of Multiple Deprivation 2004



(Source IMD 2004, CLG.) Key - dark grey indicates most deprived, white indicates least deprived)

Figure 2: Percentage of LSOAs in the Most and Least Deprived 20% of LSOAs in England on the IMD 2007 by Region.



(Source IMD 2007, CLG.)

In order to help reduce inequality, and as part of the NSNR, the Government identified three key principles to guide the NSNR. These three overarching principles aimed to ensure that “within 10 to 20 years, no-one should be seriously disadvantaged by where they live”:

- ❑ First, it sought to tackle the root problems of unemployment, crime and poor services through the implementation of new national policies, funding and targets.
- ❑ Second, the strategy sought to find new ideas to put communities at the heart of regeneration by empowering them and joining up local actions.
- ❑ Third, the NSNR sought to deliver new structures to provide national and regional leadership on neighbourhood renewal.

As has already been mentioned, NRF will be replaced by the WNF in April 2008. However, whilst some of these core principles will also underpin the WNF, the WNF focuses on two core areas of regeneration: worklessness and low skills – representing a significant change from NRF. For central government, as well as many local practitioners, worklessness and low or inappropriate skill levels are two of the most significant issues currently facing neighbourhoods, cities, regions and the UK as a whole. Nonetheless, the move from a broad holistic approach to regeneration to a much more narrowly focused approach is quite large. The other overarching aim of the fund is to bring together the community focus of the Department for Communities and Local Government (CLG) with the welfare reform agenda of the Department for Work and Pensions.

The WNF was launched as part of December’s Local Government Settlement and is worth a total of £1.5billion over the next three years: £450million in 2008/09; £500million in 2009/10, and over £500million in 2010/11. The Fund provides resources to local authorities, dependent upon their rank in the Indices of Deprivation 2007, to tackle worklessness and low levels of skills and enterprise in their most deprived areas. The WNF will provide funding to 66 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 66. A full list of the allocations is detailed in Appendix 1. There are however some surprises, which are worth highlighting here. Leeds and Bristol – both large metropolitan areas and Core Cities - fall into the transitional funding category. This means that they will not receive the funding in 2010/11. Additionally, areas such as Kirklees, Wakefield and Mansfield, with their industrial and manufacturing heritage and high levels of worklessness are also named as transitional authorities.

Through this focus on worklessness, the Government intends local partnerships to focus on the issue that it believes is central to regeneration, that of economic inclusion. However there are some practitioners who feel that an intervention such as this, without direct links to other neighbourhood issues or associated economic development activities such as supply side activity, is unlikely to bear significant fruit.

In terms of the process of distribution for the WNF, it will form a key element of the Area Based Grant and subsequently the LAA process. The WNF will be paid by central government to the local authority as part of the Area Based Grant, which is a non-ring fenced grant bringing together a range of area based funding mechanisms. Non-ring fenced means that the local authority then has the flexibility to design locally responsive programmes and projects. As part of this some of the more onerous reporting mechanisms will be removed, as there will be fewer funding streams than was the case before.

The role of the local authority in distributing and designing programmes for the WNF will be to consult with public, private, and voluntary and community sector partners to develop targets and implementation plans for activities related to worklessness, low skills and low levels of enterprise. Targets will then be negotiated with Government Office through the LAA process, with the strong

expectation that authorities in receipt of the WNF will want to include targets on tackling Worklessness in their 'up to 35' targets. The WNF will then be commissioned through the LAA.

Also being introduced, as part of the WNF, is a 'worklessness and enterprise' related 'reward grant'. The Department for Communities and Local Government have allocated at least £50million to deprived areas that agree targets related to worklessness in their LAA. The 'reward grant' will be used by CLG to discuss how this money can be used to motivate areas with the highest levels of worklessness. This will be done through LAA negotiations with local authorities and local agencies. It is expected that there will be a role for social enterprise activities and community enterprise in the spend of the reward grant and the emphasis is likely to be placed on the communities which have made the most progress as regards worklessness and those that have used community led interventions. This could be done, for example, through establishing a 'community kitty' for local areas to decide upon how best to use their element of the reward grant. Unlike the WNF, however the Reward Grant will be ring fenced, ensuring the focus on the local community and worklessness remains central.

3. Initial responses to the Working Neighbourhoods Fund

In this next section we explore some of the initial reactions to the changes to NRF and the introduction of the WNF as revealed through the interviews, survey and case studies with practitioners and third sector organisations. Initial findings revealed a mixture of positive and negative responses to the changes, including the belief that the new programme would be restrictive and reduce the potential involvement of the third sector, alongside a feeling that the process was confusing and badly managed. Whilst others felt that there will be opportunities in the changes that would benefit deprived communities and third sector organisations that work in these areas. Analysis of the comments revealed the following initial feelings:

A less holistic approach, with reduced flexibility

Third Sector organisations were worried that the move to the more focused and less holistic WNF would lead to a loss of funding for the sector as a whole. They also feared that some organisations would cease to exist altogether, whilst some neighbourhood renewal managers felt that flexibility in the way that the funds are spent might be reduced, thereby reducing their ability to tackle issues of true local importance and effect real change.

Unrealistic timescales for implementation

Another of the key criticisms of the process was that it is complex and the timescales involved - from announcing the changes, to issuing guidance and negotiating targets and commissioning projects - are very short. There was some concern that there is not enough time for third sector and public sector organisations to prepare for the WNF. In particular there were concerns that:

- ❑ Local authorities do not have enough time to make changes to service plans and departmental budgets to mainstream projects previously funded by NRF;
- ❑ Community Empowerment Networks do not have enough time to develop alternative engagements processes;
- ❑ Existing projects do not have enough time to sufficiently refocus their activities in light of the changes;
- ❑ LSPs do not have enough time to develop new commissioning processes; and
- ❑ There was not enough time for small third sector organisations to prepare for the specifics of individual LSP commissioning processes.

All of this means that local authorities have little time to adjust and there is likely to be a catch up period, whilst for third sector organisations there could be fewer opportunities to deliver projects and services and this may have knock on effects for their sustainability.

Not surprising

That said, many others felt that the national and local priorities around worklessness, including the Welfare Reform Act, the Leitch Review and the increasing emphasis placed on reducing the numbers of people claiming Incapacity Benefit, meant that the changes were inevitable and therefore not that surprising. Others were not surprised by the change in the focus of the funding because they had already been focusing on worklessness and the economic inclusion, but were surprised at those areas awarded only transition funding.

The shock of transition funding

For those authorities awarded only transition funding it was a considerable shock. Our respondents spoke of their amazement at the decision since they felt that the issues and problems they faced as regards worklessness and local economic deprivation were significant enough to require additional funding to tackle them.

Reasons to be cheerful!

Despite the overall negativity expressed by our respondents, there were some aspects of the changes that they believed might have a positive effect on regeneration in their area. For example, some respondents felt that the changes would actually lead to a clearer use of the available funds. This is because whereas NRF was used for specific projects based around the six neighbourhood renewal themes, e.g. crime, housing, education, health, employment or the living environment, the WNF will be used to address the specific issue of worklessness, thereby making project aims and objectives as well as outcomes more focused. There was also a feeling that perhaps NRF had been too broad, in the past, and therefore had been used for core services rather than those that bring the most added value.

Similarly, there was some hope amongst our respondents that the guidance would be broadly interpreted meaning that in dealing with worklessness, projects could also tackle other related issues. For example, being in employment broadens horizons and has a positive impact on other social issues such as health and well-being.

Overall feelings

As part of our attempt to unpack initial feelings as regards the WNF, we asked each of our respondents to rate how they viewed the changes. The results suggest that the third sector view the changes largely as negative, whilst NRF managers and local authority officers are more mixed in their views. Interestingly, only 9.1% of local authority officers rated the changes as very positive and very negative. Table 1 highlights the results.

Table 1: Initial thoughts on the WNF

Comment	Third sector infrastructure organisations	NRF managers
Very Positive		9.1%
Positive		18.2%
Neither Positive or Negative		45.4%
Negative	100%	18.2%
Very Negative		9.1%

4. Do we need to focus on worklessness?

After gathering some initial responses, we went on to question respondents about worklessness in their areas and the need to focus on it, asking; *"Should worklessness be at the heart of local regeneration in your area?"* Most of the respondents acknowledged that worklessness was a key issue in the regeneration of their local area, although there was some scepticism as to how effective an approach which concentrates on worklessness would be in addressing wider

regeneration. Table 2 illustrates the findings, and the comments are analyzed in more detail below.

Table 2: Is worklessness key?

Is addressing worklessness the key to regeneration in your local area?	Local authority officers
Yes	54.5%
No	45.5%

For some respondents, the changes to NRF mark the end of a more holistic approach to addressing local regeneration needs. It was felt that the holistic nature of NRF allowed flexibility to deal with social problems in more innovative ways. For example, projects that were focused on raising educational attainment had a positive, long-term effect on preventing worklessness, whilst local green space projects might also have contributed to active citizenship and the degree to which communities engage with decision makers. Respondents reinforced the feeling that dealing with worklessness is not simply about reducing unemployment, but that worklessness is a factor *in* and *of* wider social and economic exclusion. Many respondents highlighted the distance that many workless adults are from the labour market and the extent of the barriers many people from deprived communities face in the course of reengaging with the labour market.

In contrast, some respondents felt that *because* worklessness *is* part of a much wider set of issues, focusing on worklessness would inevitably benefit other issues as regards regeneration of local areas. It was felt by some that many more social issues could be addressed by the new agenda, from individual benefits, such as improved health and social skills, to wider community benefits such as a lower crime rate.

In addition, some respondents were fearful that the greater emphasis on 'working' and reducing the number of workless individuals in a local area that accompanies the new WNF will mean that that some organisations will have to significantly change the focus of their activities. It was felt that activities such as confidence building, working with employers, brokerage and up-skilling people would fade in favour of getting people into jobs. However, this fear was not shared by all the respondents, which is perhaps a sign of the uncertainty that surrounds the WNF. Indeed, many respondents were more concerned that a lot of third sector organisations do not have a recognised history of addressing worklessness. They felt that it has traditionally been an area occupied by public and private sector organisations. There were concerns that the 'softer' outcomes, which many third sector organisations pursue and which may lead to more sustained employment or engagement with the labour market, might be lost.

That said, some respondents felt that, although the intention of WNF is to tackle worklessness, because the funding is not ring-fenced it is possible that funding can be channelled into dealing with worklessness by also addressing other priority issues, for example crime or housing.

5. Understanding the consequences for the third sector

In this section we sought to explore the implications of the changes to NRF for third sector organisations. Our findings revealed major concerns about the future for third sector organisations. For neighbourhood renewal managers too, there was a feeling that the changes would affect many third sector organisations in their area. Most agreed that these organisations would be adversely affected, with many feeling that losses to funding and less service delivery opportunities would mean that some organisations would not survive at all. That said, some respondents suggested that it was too early to predict with certainty the consequences for the third sector. The full range of comments as regard the third sector can be found below as can two case studies exploring the impact of the changes on third sector run projects. Overall there

was a general consensus that the changes would have important consequences for the third sector.

The threat to funding and the risk of job losses

The most fundamental consequence for third sector organisations was felt to be the threat to funding the changes pose. Some respondents felt that ultimately the changes will mean a reduction in funding for projects and this will affect the activity of both community groups and the communities they support. Respondents also predicted that reductions in funding would inevitably result in staff losses in the sector, for example, many project officers working on NRF projects which fall outside the remit of WNF criteria were considered vulnerable. Furthermore, the issue of worklessness is largely regarded as being the domain of public sector agencies such as Job Centre Plus and private sector jobs brokerage companies such as "At Work". Consequently, some respondents felt that third sector organisations may not have the skills, knowledge or experience to deliver WNF projects, and as such would find it difficult to compete for funding and contracts.

An additional bureaucratic and time-consuming process

It was highlighted by some respondents that third sector organisations were struggling to grasp the objectives of WNF, which it was felt were unclear, resulting in organisations receiving mixed messages about what the changes meant. Consequently, many organisations were finding it difficult to apply it to their local area. It was felt by some respondents that this confusion, combined with the bureaucratic and time consuming process for applying for funding, will result in small third sector organisations in particular struggling to meet deadlines for proposals and funding applications.

Case Study 1: Cardigan Centre, Leeds

About the Project

The Community Health programme is one of a number of projects delivered through NRF by the Cardigan Centre in Leeds. The two-year project (2006-2008) sought to raise awareness of and promote healthier lifestyles in Little London, an area of Inner Leeds. The project to date has engaged around 500 adults and 150 children and has involved activities such as family walks and teatime cookery and eating classes.

Project Outcomes

The project has had not only expected outcomes in terms of increased rates of physical activity and improved health, but also in terms of community development and volunteering.

Impact of Change in Funding

The impact of NRF funding ending in March 2008 will have implications for this project in community, staff, outcome and partnership terms. The organisation will no longer be able to facilitate the practical activities previously undertaken, nor will it be able to continue to deliver community events such as Health Fairs. In terms of staffing, the close of the project will mean the loss of a part time Community Health Development Worker and other sessional staff such as crèche workers.

The loss of funding will also have impacts upon employment and volunteering related outcomes. There is evidence to suggest that some people have started volunteering through the project, which has in turn led to paid and non-paid opportunities with other organisations. Additionally, it is felt that there will be a loss of continuity amongst the participants in terms of what they have learnt from the project and how they have developed. The short-term nature of NRF projects also decreases trust amongst local communities. Residents will ask the next time a project starts about whether it will last.

The loss of a dedicated Community Health Development worker will have implications for the organisation in partnership terms. It will reduce the organisation's influence and representation in structures designed to regenerate the neighbourhood.

Reduced involvement in decision-making and partnership activity

One of the early objectives of NRF in 2001 was to ensure the set up and delivery of Community Empowerment Networks in all NRF authorities. These have now been set up in the majority of authorities and in many places have played a core role in brokering links between the local authority and the community as regards neighbourhood regeneration. The withdrawal of NRF threatens the future function and sustainability of these networks, as well as the important role they play. The responsibility for their sustainability may well fall to mainstream services but general cut backs and the pressure on mainstream monies to deliver other previously NRF funded activity will make this difficult. The sustainability of funding for Community Empowerment Networks (CENs) may also depend upon local political cultures and the strength of the LSP. However, in some areas, respondents were positive that relations with the third sector would not suffer.

Case Study 2: Bede House, London

About the Project

Bermondsey and Rotherine have some of the most disadvantaged neighbourhoods in the country. The purpose of Bede's is to be a focus for individual and community development in the area and to contribute to the pattern of social care in Southwark. Bede currently receives around £230,000 in NRF, approximately 20% of their budget, which has been used to fund the totality of their community engagement work and 50% of their youth work.

Project Outputs and Outcomes

In output terms, in 2006-07 the community engagement team helped 215 individuals get more involved in community life in Bermondsey and Rotherine and gave advice and support to 28 community groups to help them achieve their ambitions. The youth work team worked with 180 regular club members and contacted around 150 young people on the streets at risk of anti-social behaviour. They also ran a full programme of adventure and residential activities. In outcome terms the project has reduced anti-social behaviour, increased individual's life opportunities and supported many young people through difficult times.

Impact of Change in Funding

Unless the projects are mainstreamed and unless Bede's can get funding from elsewhere, the change to NRF funding criteria will mean an end to all the organisations community engagement work and a reduction of the youth work. This will mean the loss of four full time jobs in total. In community terms, it will mean that Bede's will no longer be able to engage a wide range local people, meaning that the 2000 people directly involved with the organisation in some way would drop by 25%.

In partnership terms, the role of the Director of Bede as the Chair of a local partnership group (Bermondsey Rotherine Development Partnership) for voluntary organisations would end, as this is indirectly funded by NRF through contribution to core costs. The end to NRF could also lead to the collapse of local authority sponsored partnership structures. The loss of NRF further hinders the work of Bede's as community engagement activity in particular is not on any other funders' agenda.

Reduced funding for community empowerment and development activities

There were concerns that community empowerment and community development activity would no longer be funded under the WNF and as a consequence, the valued outcomes of this type of activity, such as more and larger community groups, better engagement of local people with decision makers and elected representatives and more community led solutions to local issues, would be lost. It was felt that this would affect both third sector and local authority community development projects and practitioners. Furthermore, this was considered to be a curious decision given the current central government focus on cohesive communities and CLG's emphasis on community empowerment. There was also a feeling amongst respondents that placing the emphasis on worklessness may channel funding away from regeneration activities that do not have a clear focus on employment, for example the arts and culture, meaning that some very valid approaches to regeneration will inevitably lose out.

The need to strengthen the role for third sector organisations locally

Although overall respondents felt that the changes would have a negative impact on the third sector, particularly regarding funding losses, they did highlight possible ways in which projects and organisations' futures could be secured. This included seeking grants from smaller funds, such as Community Chests, and also the possibility of speeding up mainstreaming. The valued role played by NRF in fostering networking relationships across the sector was also not lost on many of the respondents. They felt that NRF had provided local authorities with the opportunity to continue building the partnerships with other public, private and third sector organisations that emerged through SRB and European funding. NRF enabled greater local determination of spend and more partner led interventions. Moreover, in recent years it has supported government rhetoric and has held up the third sector as a trusted deliverer of public services. This rhetoric has been accompanied by policy interventions such as Change Up that have sought to enhance the capacity of the third sector to deliver services, contribute to Public Service Agreements and to help to meet key targets. It was felt that that NRF has been somewhat of a catalyst for developing these skills, the capacity and the knowledge of third sector organisations, enabling them to do this. As well as enabling them to compete for public service contracts. It was hoped that the WNF would allow this to continue. Furthermore, all the local authority respondents said that they were keen to maintain a strong partnership with the third sector, and were determined not to allow the changes to threaten the valued work they undertake.

6. What do the changes mean for local authorities?

As part of this research we also sought the responses of neighborhood renewal managers and local authority practitioners. Overall their feelings were more positive than those received from third sector bodies, although a number of misgivings remained. In the following section we outline their main comments, which included concerns about the narrow focus of the WNF and the impact this would have on outcomes available to deprived communities, especially relating to community capacity building and empowerment; the timing of the announcement and the publication of guidance, and how this relates to project commissioning and target setting; the impact on partnership working; the likely loss of capacity; the triple whammy of funding changes for some authorities which have already recently lost SRB, European funds and now NRF; and finally concerns as regards the limited mainstreaming that has so far taken place.

Nonetheless, amongst these fears and many uncertainties it was felt that there were some reasons to be positive, these included: the opportunity to drive mainstreaming forward at a faster pace than before; the opportunity to be flexible with WNF, especially when using it as part of the area based grant; and also the opportunity to take risks and develop new ways of working, post NRF. These are all explored in more detail below.

The very narrow focus and reduced outcomes

It was felt that the narrow approach to WNF would mean that local authorities would need to restructure their strategic priorities, existing projects, outcomes and performance indicators to have greater regard for worklessness and skills development. There was concern that the shift from the holistic approach of NRF to that of the WNF, which is more focused on employability, worklessness and skills, has implications in terms of the outcomes available to communities. It was felt that the change in focus means that the 'softer', but equally important outcomes around community empowerment and engagement, and also community cohesion are seriously at risk. Unless holistic projects can be effectively mainstreamed into service delivery, they are unlikely to continue.

The need to act quickly

The announcement of the WNF saw some areas that had previously been awarded NRF funding named as transitional areas. This means that they will receive reduced funding in 2008/09 and 2009/10 and no funding at all in 2010/11. These authorities will have to find core funding for neighbourhood renewal activities, thus potentially reducing outcomes and impacts for local

communities. This was further added to by the timing of the announcement. This is because it was felt that there was not enough time to mainstream activities before the start of the next financial year and in many authorities, the departmental budgets and service plans have already been set for this coming year. Therefore, there were fears that some projects may be lost for a year or so whilst adjustments are made.

The lack of prescriptive guidance

The guidance for WNF has been described as light and non-prescriptive. The respondents saw this both as having negative and positive implications for their work. For some, the lack of further guidance and criteria for commissioning projects means that local authorities are struggling to understand the exact scope and objectives of the Fund. For others, they felt that the WNF as part of the area based grant offered sufficient flexibility to respond to local needs and the link local community needs to worklessness and skills development. They felt that if used innovatively, WNF projects could have the potential to impact on other regeneration areas as NRF did in the past.

The triple funding whammy

The announcements of reduced NRF funding forms something of a triple whammy for many local government and also third sector practitioners delivering regeneration related activities. Many are already coming to terms with the loss of the SRB programme and reductions in some European Union Programmes. The problems are further exacerbated in two tier local government areas that are moving to unitary status, as the upper tier (County Council) has not traditionally had much involvement in issues at the neighbourhood level.

The erosion of the community development function

Local authorities undertake a large amount of community development activity, and it was felt that the changes to NRF have significant implications for this activity. There was a feeling that the change in focus would mean losing community development workers, as well as their specific skills and expertise. It was a general feeling that there would be a knock on effect as this type of activity would be less available to communities and particularly small community groups. In turn this would result in less community led solutions to local issues and problems. In some authorities, there were fears for specific community engagement and empowerment methods, such as participatory budgeting, because they are not explicitly focused on worklessness and skills development and as such local authorities will no longer be able to fund them.

The negative impact on partnership working

Local authorities have worked hard over the last five to ten years to engage statutory bodies, the private sector and the third sector in partnership activity. The result is stronger LSPs and LAAs with a range of strategic and delivery partners. NRF has been a key tool in facilitating this partnership working. In many cases, it has brought local authorities, statutory bodies and the third sector closer together. NRF, through funding for CENs, has been crucial in allowing third sector organisations to participate in LSPs. There was a feeling that the move to narrower, more worklessness focused interventions may marginalise some key partners. Furthermore, some respondents believed that the changes to funding would result in increased competition between organisations, which would hinder collaborative working to tackle joined-up issues. Other neighbourhood renewal partnerships felt that in some cases NRF had been the sole way in which some partners, including some third sector organisations, had engaged with them and that the changes to the funding stream might improve the process of engagement and also the relationship between local authorities and their partners. It was felt that this might result in a more strategic relationship and greater involvement in the LSP. That said others felt that the changes would not significantly affect their partnership working as they were currently refreshing their LAA and would incorporate the changes into the refresh alongside their partners. They also felt that their partnership with third sector organisations was vital and that they would not allow anything to get in the way of this important relationship.

A lack of capacity

Those areas now receiving transitional funding also highlighted the loss of staff and skills as a challenge they need to overcome. The upheaval meant losing people, knowledge, understanding and skills that staff have developed over the years. They felt they would struggle with skills and capacity, and as a result, to meet the regeneration and employment or skills needs of their communities.

Limited mainstreaming

Central government believes that many of the projects and innovations delivered through Neighbourhood Renewal Funding have been transferred into mainstream public service delivery. In many localities however, mainstreaming has been an afterthought and not an integral part of project development and sustainability considerations. Similarly, in many areas, mainstreaming has been harder than partners had imagined, especially in the context of tightening budgets and continuing external funding. It was felt by the respondents that *"there has been tendency to rely on to external funding as long as possible"*. A removal of funding for many projects represents a threat to the sustainability of the projects, and in many cases, the organisations delivering them, particularly those in the third sector.

An opportunity to move mainstreaming forward

However, there were respondents who viewed the changes to NRF as an opportunity to drive forward mainstreaming activity. It may enable local authorities to take stock of the good practice projects that have been delivered as part of NRF and seek to mainstream them into core service delivery. One authority stated that they would be looking at mainstreaming around 50% of their NRF projects in order to sustain partnership relationships with both statutory partners and the third sector. Respondents did however identify a number of barriers to effective mainstreaming of NRF projects including:

- ❑ A lack of skills – mainstreaming is a difficult process;
- ❑ Pressure on mainstream budgets – tightening budgets make mainstreaming doubly difficult;
- ❑ Local political cultures – there is sometimes a resistance to change;
- ❑ Reliance on external funding - NRF has been used to fund' statutory services in some areas; and
- ❑ Limited overall resources – *"you can only squeeze so much juice out of the orange"*.

Greater focus and flexibility

Amongst the overall feeling of negativity surrounding the changes to NRF, there were some who felt that having a greater focus on one issue would help to focus the minds of the partners involved and to concentrate on the particular issue in order to tackle it more effectively. They also felt that although concentrated on one issue it was possible to link it to broader outcomes, such as health, housing, crime and educational attainment.

An opportunity to take risks and embrace new ways of working

NRF has provided local partnerships with the flexibility to pilot new approaches to regeneration, to take risks and to target disadvantaged groups, previously marginalised by some regeneration activities. It has also enabled regeneration projects to be delivered in shorter timescales and, with the introduction of LAAs with less bureaucratic monitoring arrangements. There is some hope that these processes will continue with the introduction of the WNF. Some of our respondents also felt that the new fund and the associated Area Based Grant would help them to develop and build on new delivery models they were implementing such as area-based working.

7. Local responses to the change from NRF to the WNF

In this section we outline some examples of approaches that have been adopted by local authorities and third sector organisations in order to meet the demands of the new funding regime and to address the wider consequences of the move from NRF to the WNF. The approaches have largely taken two paths. On the one hand, delaying commissioning, and on the other, adopting a broad understanding of how to tackle worklessness and how the WNF can be spent. These approaches are explained in more detail below.

Delaying commissioning

With the formal end to NRF being the 31st March 2008 and the commissioning of WNF projects taking place effectively from 1st April, there is little time, particularly for third sector organisations to put in funding applications and highlight how their projects fit WNF criteria. One local authority have taken the innovative step of delaying the commissioning of WNF projects by six months, whilst they assess information and research on the value of NRF and develop transitional arrangements for current NRF funded projects.

A transitional year

Another authority reported that they were planning on using 2008/9 as a transitional year, to smooth the move from NRF to the WNF. For those NRF funded projects that do not come to a natural end in March 2008, they will continue to fund them through the Area Based Grant whilst they develop exit strategies or seek to continue to fund them through the WNF. In this year they will also develop guidance for the commissioning of WNF projects based on the priorities identified in the Sustainable Community Strategy and the LAA. These priorities have not been confirmed yet but are likely to be around the following three issues:

- ❑ Worklessness;
- ❑ Healthily lifestyles; and
- ❑ Liveability.

They also felt that this year would give them a chance to tighten up the commissioning process and to ensure that the third sector bodies are sufficiently involved in the process and to align the LSP and LAA boards more effectively. They felt that this process has also been facilitated by the announcement that they are to get a three-year extension to their LEGI funding, worth £10.5 million, over the three years.

Prevention as well as support

Whilst one local authority indicated that worklessness was a key issue in their deprived neighbourhoods and that WNF would be used to tackle this issue, they also stated that they would test the flexibility of the criteria of the WNF by seeking to deliver more preventative-based projects. They stated that this could include enterprise related projects in schools to promote a culture of entrepreneurship and improved life skills to prevent young people from becoming workless or unemployed in the future.

Tackling worklessness by concentrating on related issues

Many of the people we spoke to mentioned the connections between worklessness and other regeneration issues. In particular health, crime reduction and housing were considered to be intrinsically linked to worklessness. The connection between social housing and worklessness was also highlighted by John Hill's report for CLG, which was published in 2007. It concluded that, more than half those of working age in social housing are without paid work, twice the national rate. Some of this reflects disadvantages such as disability or lack of qualifications, but even allowing for these, employment rates are low.

Building on this, some social housing providers are seeking to tackle worklessness, and promote skills and enterprise more directly, through their everyday work and by linking worklessness to housing and community development. In particular, social housing providers reported to CLES that they are already looking at new approaches to put an end to the revolving door of short-term, unstable work and have begun putting together proposals in which the local social housing centre, can be more involved in offering, advice, training and support. Others want to explore whether social landlords could offer more direct financial incentives for tenants who are working, and perhaps over the long term even offer additional help towards shared ownership. Social housing providers also saw the reward grant as an opportunity. They felt that there was potential for those housing providers involved in delivering change to lobby for the reward to be invested in new community facilities or local projects in their area.

8. Conclusion and recommendations

Overall, the research has illustrated that there is some considerable concern about what the changes to NRF will mean for local communities, regeneration practitioners and also third sector organisations. Much of the concern derives from uncertainty in light of little guidance but it is also related to the significant shift in the emphasis of neighbourhood renewal brought about by the move from NRF to the WNF. Moreover, the short timescales have been raised as issues for concern. As have the loss of core outcomes for communities and the loss of staff, skills and knowledge as a result of transition funding. That said, a number of practitioners have also highlighted some areas of opportunity, brought about by the changes to NRF and the development of the WNF. In particular, practitioners raised the idea that the narrower focus on the WNF would mean that projects would also be more focused, with clearer outcomes.

In this section, we also present a number of recommendations, for central government, local practitioners and third sector organisations, to assist them in responding to the challenges laid down by establishment of the WNF. The recommendations are based on the findings from the interviews, case studies and the survey we conducted as part of this rapid research.

Central government

- ❑ **Communication.** Our research revealed a widespread feeling of confusion about what the changes from NRF to the WNF mean, for local authorities and third sector organisations. Consequently, CLES recommends that central government clarify how they envisage the WNF being used and to what degree this will be left to individual local authorities to decide, based on their local priorities. This may include outlining whether a broad or narrow approach ought to be adopted. Fundamentally, this guidance must be targeted to help both local authorities and third sector organisations understand their roles.
- ❑ **Benefits flowing from NRF.** It is important that central government recognises the operational gains made through NRF and seeks to ensure that learning captured in the development and operation of NRF is incorporated into the development and operation of the WNF. In particular, it is important that the gains made as regards fostering holistic working, cross departmental working, improved relations with partners and also working with and involving the community and the third sector in developing local priorities and projects, often developed through LSPs and CENs are not lost. To help this process central government needs to ensure that the messages, it applies to local authorities about working with their partners are also applied to the various central government departments, so that conflicting messages from each department are not filtered to local authorities.
- ❑ **Develop effective evaluation frameworks.** Help local and regional agencies develop effective evaluation frameworks in order to establish the effectiveness of their approaches to tackling worklessness.
- ❑ **Work with Government Offices.** Ensure effective two-way communication between central government and local areas, particularly as regards initial responses to the changes and interpreting the guidance for the new fund. This is a role that Government Offices are well placed to undertake.

Local authorities

- ❑ **Involve third sector in outcome development.** With many third sector organisations feeling disengaged from the changes being made, it is crucial that local authorities involve the third sector in target setting. This will promote collaborative working, improve communication, and encourage greater understanding within third sector organisations about their duties and help them to identify where they can contribute most to the delivery of the outcomes.

- ❑ ***Work out what the guidance means locally.*** CLES recommends that local authorities consider carefully what the shift to the WNF means for their area. For example, assessing the nature of worklessness locally and the extent to which the third sector is currently involved in dealing with this issue.
- ❑ ***Progress mainstreaming where possible.*** Many of our respondents revealed that mainstreaming was either already in progress, or will be in the future. CLES recommends that local authorities pursue this option where appropriate; in order to secure the future of as many third sector organisations as is possible.
- ❑ ***Establish your target groups.*** In each local area there will be priority groups or areas, as regards worklessness, by working out who or where these are local regeneration practitioners will be in a stronger position to develop projects and undertake target setting. By doing this practitioners will also be in a stronger position to communicate their particular areas of focus to their partners. This is likely to result in the development of projects that better meet local needs.
- ❑ ***Retain community development methods in the new focus.*** Where possible it is advised that local regeneration practitioners retain community development approaches, and use these to tackle worklessness. For example, by using participatory budgeting or setting up local community groups it is possible to improve the skills and confidence of local residents and thereby to reduce worklessness. Community development methods or approaches might also be a better way to reach those people furthest from the labour market or with the most significant barriers, such as mental health issues.
- ❑ ***Maintain strong relationships with third sector organisations.*** Despite the end of specialist funding for CENs, it is important to remember that strong partnerships with third sector bodies can be crucial in meeting targets and delivering outputs. Good partnership working can also help to ensure that strategic objectives are well designed and achievable. In some cases third sector bodies may have more experience in delivering these types of projects.
- ❑ ***Retain innovation in methods and approaches.*** The new funding and the move away from the holistic approach adopted by NRF may mean that there are gaps in neighbourhood renewal activity in some local areas. By being creative in the way that worklessness and skills development is tackled, and by linking it explicitly to wider regeneration issues it may still be possible to carry out a wide range of regeneration activities and achieve a wide range of outcomes. As can be seen in section 7 of our report, it may be possible to link activity into that which is already being delivered by partner organisations, for example housing associations.
- ❑ ***Continue to involve third sector organisations.*** Involve them in strategy development, policy making and priority setting. They will often have valuable experience and understand local communities, as well as their needs and wants, through their work on the ground.
- ❑ ***Develop effective evaluation frameworks.*** Develop an effective evaluation framework in order to establish the effectiveness of particular approaches to tackling worklessness. Ensure they are sufficiently locally focused but also retain a link to any relevant government priorities.

Third sector organisations

- ❑ ***Map their contribution to worklessness.*** Third sector organisations need to understand, and then map, their current and future contribution to worklessness. This might include detailing the way in which existing projects or programmes, or a particular organisation's skills and experience relate to worklessness and in particular local worklessness issues and targets.
- ❑ ***Maintain strong relations with local government and statutory partners.*** To facilitate future service delivery and strategic input to the development of outcomes, targets and projects, third sector bodies need to maintain strong relationships with local

government and other LSP partners. Where possible bodies should ensure that they are represented on the LSP.

- ❑ **Larger organisations to help smaller organisations.** Larger third sector bodies should help smaller third sector bodies to get to grips with the changes and what they might mean for their organisations.
- ❑ **Drive innovation as regards methods and approaches.** As it detailed in section 8, third sector bodies should drive forward innovation in addressing worklessness by identifying the way in which existing programmes, services and projects can also seek to address worklessness.
- ❑ **Get involved in directing the use of the reward grant.** Equally, third sector bodies should get involved in directing the use of the reward grant through LSPs and the LAA process.
- ❑ **Develop national understanding of the role for third sector organisations in tackling worklessness.** National third sector organisations and infrastructure bodies should work to articulate the role for third sector bodies in this agenda, but ensuring they recognise the different roles, qualities and interests of the different types of third sector organisations. This could involve developing a series of case studies of third sector involvement and experience in addressing worklessness.
- ❑ **Recognise different levels of activity.** Third sector organisations need to be clear about their particular role with regards to the WNF. Different organisations will have different roles to play in each locality or area. This may be delivery of public services, it may be strategic input into project design or project appraisal or it may be delivering projects and services that are not funded by the WNF but instead trying to ensure the succession of outcomes which focus more holistically on the community and seek to empower communities. The difference in role will depend on the particular organisation, local priorities and the interpretation of the WNF guidance by particular local authorities, but however this plays out it is important that the third sector recognises its own heterogeneity and this comes across in what they offer and do.

This *Rapid Research* was written by Victoria Bradford, Jessica Smith, Matthew Jackson and Sarah Longlands 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

Rapid Research is one of a series of regular reports published by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think / doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes *Bulletin*, *Local Work* and policy publications on a range of issues.

Appendix 1 - Working Neighbourhood Fund Allocations 2008/09, 2009/10, 2010/11

Local Authority Name	WNF Allocation 2008/09	WNF Allocation 2009/10	WNF Allocation 2010/11
Barking and Dagenham	1,424,308	1,608,297	1,652,559
Barnsley	6,142,540	7,485,021	7,807,977
Barrow-in-Furness	2,362,517	2,950,419	3,091,848
Birmingham	34,117,370	39,505,342	40,801,509
Blackburn with Darwen	3,813,706	4,585,094	4,770,664
Blackpool	4,171,949	5,076,498	5,294,102
Blyth Valley	1,000,000	1,163,804	1,252,900
Bolsover	2,047,716	2,440,522	2,535,018
Bolton	5,670,488	6,732,623	6,988,137
Bradford	11,989,523	13,467,077	13,822,527
Brent	2,393,293	2,872,122	2,987,313
Burnley	2,150,837	2,559,916	2,658,326
Camden	4,460,241	4,925,113	5,036,946
Chesterfield	1,020,499	1,496,846	1,611,439
Copeland	1,000,000	1,000,000	1,000,000
Derwentside	1,997,329	2,361,450	2,449,045
Doncaster	7,989,376	9,271,130	9,579,478
Easington	6,342,307	7,603,428	7,906,812
Gateshead	5,247,872	6,254,917	6,497,179
Great Yarmouth	2,066,453	2,485,898	2,586,803
Greenwich	4,538,965	5,169,844	5,321,613
Hackney	12,037,270	13,146,173	13,412,939
Halton	5,022,944	5,861,734	6,063,519
Haringey	6,833,721	7,821,441	8,059,054
Hartlepool	4,502,180	5,378,345	5,589,121
Hastings	2,184,780	2,690,517	2,812,181
Hyndburn	1,048,216	1,416,732	1,505,385
Islington	6,608,388	7,289,659	7,453,551
Kingston upon Hull	11,441,948	13,185,756	13,605,259
Knowsley	9,360,352	10,896,518	11,266,069
Lambeth	3,351,144	3,755,055	3,852,223
Leicester	7,476,516	8,802,087	9,120,975
Liverpool	29,187,128	34,109,623	35,293,812
Manchester	25,873,157	29,581,569	30,473,690
Middlesbrough	7,420,872	8,532,694	8,800,162
Newcastle upon Tyne	8,285,970	9,825,625	10,196,015
Newham	13,246,752	13,246,752	13,246,752
North East Lincolnshire	3,935,360	4,489,778	4,623,152
Nottingham	10,913,134	12,036,531	12,306,784
Oldham	5,161,277	6,079,682	6,300,620
Pendle	1,232,063	1,624,098	1,718,408
Preston	2,621,383	3,139,097	3,263,642
Redcar and Cleveland	3,894,365	4,756,472	4,963,867
Rochdale	5,317,162	6,256,234	6,482,143
Salford	8,692,991	10,143,772	10,492,781

Sandwell	8,704,358	9,681,476	9,916,538
Sedgefield	2,099,339	2,799,198	2,967,561
Sefton	6,199,636	7,516,350	7,833,108
Sheffield	11,259,780	13,282,727	13,769,380
South Tyneside	7,124,500	8,386,996	8,690,711
Southwark	7,086,778	7,361,823	7,427,990
St. Helens	4,498,406	5,377,289	5,588,719
Stockton-on-Tees	3,909,650	4,698,048	4,887,710
Stoke-on-Trent	7,841,204	9,492,884	9,890,223
Sunderland	8,589,944	10,455,641	10,904,466
Tameside	3,433,239	4,276,961	4,479,933
Thanet	1,003,105	1,471,333	1,583,973
Tower Hamlets	10,279,197	11,005,124	11,179,758
Walsall	5,444,081	6,389,562	6,617,013
Wansbeck	2,315,917	2,868,222	3,001,088
Wear Valley	2,157,765	2,510,949	2,595,913
West Somerset	1,000,000	1,000,000	1,000,000
Westminster	3,010,277	3,417,611	3,515,602
Wigan	5,903,485	7,321,622	7,662,778
Wirral	8,188,024	9,841,046	10,238,708
Wolverhampton	6,113,889	7,307,406	7,594,527
			507,900,000
Transitional Authorities	2008/09	2009/10	2010/11
Barnet	600,000	240,000	0
Brighton and Hove	1,260,358	504,143	0
Bristol, City of	3,659,694	1,463,878	0
Coventry	3,173,730	1,269,492	0
Croydon	600,000	240,000	0
Derby	2,581,150	1,032,460	0
Dudley	1,103,423	441,369	0
Ealing	830,677	332,271	0
Enfield	892,605	357,042	0
Hammersmith and Fulham	600,000	240,000	0
Kirklees	2,926,867	1,170,747	0
Leeds	8,963,140	3,585,256	0
Lewisham	1,177,203	470,881	0
Mansfield	1,318,551	527,420	0
North Tyneside	1,475,318	590,127	0
Norwich	1,180,635	472,254	0
Penwith	600,000	240,000	0
Plymouth	1,695,425	678,170	0
Rotherham	2,106,934	842,774	0
Wakefield	2,669,677	1,067,871	0
Waltham Forest	1,225,675	490,270	0