bulletin

Financing economic development in a cold climate

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Overview

This bulletin takes a look at some of the challenges and potential solutions which places have used to deliver new sources of finance and investment, given the current 'cold economic climate' and deep cuts affecting public spending. It does not provide an exhaustive list of sources of finance, but highlights some practical examples and models applied in the UK and internationally; and puts forward CLES' thinking on some of the opportunities and challenges from their implementation.

Background

The last 18 months have seen a wealth of government reviews and 'new' policy thinking. The Spending Review[1] last year set the path for public spending over the next four years. The Budget[2] 2011 set out how government intend to create the right conditions that will help the private sector grow and remove unnecessary barriers that can stifle economic growth. The 'Plan for Growth'[3] also sets out the results of the government's Growth Review and provides a call for action to help Britain regain its lost ground in the world economy.

At the local level, the government has announced its intention to create a 'radical shift of power from the centralised state to local communities'.[4] Measures in the Localism Bill and the recent Open Public Services White Paper[5] also aim to create efficiencies by reducing bureaucracy and potentially giving power, money and knowledge to those best placed to find the right local solutions. Despite the raft of policy rhetoric, local places and their authorities are under intense pressure to finance existing services and initiatives, let alone promote new development.

[1] HM-Treasury (2011): Spending Review 2010
http://www.hm-treasury.gov.uk/spend_index.htm
[2] HM-Treasury (2011): Budget 2011
http://www.hm-treasury.gov.uk/2011budget.htm
[3] HM-Treasury and BIS (2011): Plan for Growth
http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf
[4] HM Government (2011): Decentralisation and the Localism Bill - Guidance
http://www.communities.gov.uk/documents/localgovernment/pdf/1793908.pdf
[5] HM Government (2011): Open Public Services White Paper
http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper

It therefore comes as no surprise that places across the UK must identify new sources of financing and investment to support local economic development. We have seen seismic shifts in the economy, in sources of public funding, and in the regeneration and economic development profession per se.

This clearly is not news to anybody working in the public and social sectors. Whilst there is significant concern as to what 'fiscal austerity' means for both front-line service and the economic health of local communities, what we have seen from CLES' own work on place resilience[6] is an increasing emphasis on collaboration between the public, private and social sectors to deliver collective solutions that address the challenges which places now face.

Again, in economic development terms, this is not anything new. This 'tri-partite' model was the cornerstone of the better elements of local economic development strategy throughout much of the 1990s and 2000s. However, what we have seen in the last six months is a 'quickening' of the pace of the coming together of local authorities, government agencies and the private sector, to seek out new financial models and vehicles to support local economic development; and these include:

- **Local authorities and the social sector:** leveraging land and infrastructure assets; providing revenue funding; growing planning powers; and facilitating local stakeholder buy-in;

- **Government agencies:** managing land assets; providing project design and delivery expertise; and delivering direct funding or enabling finance; and

- **Private sector:** providing financial resources and know-how; project management and delivery expertise; and the ability to bear risks that the public sector would prefer not to hold.

There is a growing list of financial vehicles (and an equally long list of acronyms), government initiatives and tools to support local finance and development; and too many to cover all in sufficient detail in this bulletin. Our focus will be on the issues and challenges related to the following:

- **Enterprise Zones:** including an overview of current progress, summary lessons from the 1980s experiment; and contemporary views on issues surrounding EZs;

- **Business rate retention:** including an assessment of the recent policy announcements and what this means for different places;

- **Tax Increment Financing:** which borrow against future revenues model, imported from the United States; and

- **Local Asset Backed Vehicles:** already in play as a local finance tool, but relatively uncommon.

Other financial 'incentives' such as the New Homes Bonus (which offers local authorities a payment for each additional houses built) and other sources of investment and finances linked to social benefit (such as Social Impact Bonds, Community Budgets) will also feature in a future CLES bulletin – as will reference to the (potential) future of EU funding.

Enterprise Zones

Enterprise Zones are designed to stimulate enterprise by putting in place the required infrastructure in localities and reducing some of the costs associated with business development. The government aims to make a range of policy tools available to all Enterprise Zones, including:

- **Relief on local business rates:** a 100 per cent business rate discount worth up to £275,000 over a five-year period for businesses that move into an enterprise zone during the course of this parliament;

[6] CLES (2011): Productive local economies: creating resilient places http://www.cles.org.uk/publications/productive-local-economies-creating-resilient-places-2

- **Retention of business rates:** all business rates growth within the zone for a period of at least 25 years will be retained and shared by the local authorities in the LEP area to support their economic priorities;

- **'Positive action' in planning:** developing clearer planning approaches in the zone, including fast-tracking of planning processes, to make construction of premises quicker;

- **Tax credits:** potential for reductions in corporation tax or National Insurance contributions; and tax credits or capital gains allowances on investment in capital assets and premises; and

- **Support for infrastructure:** ensuring that superfast broadband is rolled out in the Enterprise Zone, achieved through a supportive planning environment and public funding.

Government will work with individual Local Enterprise Partnerships (LEPs) to: consider the scope for introducing enhanced capital allowances to support zones in assisted areas where there is a focus on high value manufacturing; explore the use of Tax Incremental Finance (TIF, discussed later); support the long-term viability of the zone; and develop bespoke advice and support on business sustainability and growth.

The driver for their reintroduction is the government's desire to be seen to be reducing barriers and burdens for business, including planning reform, and the pro-growth agenda being promoted by the Chancellor. The government claims to be interested in 'creating growth conditions' by backing areas with 'real potential' and 'genuine economic opportunity'. However, there is clearly potential for optimism bias in the current bids submitted for Enterprise Zone status across many parts of the England.

The incentives offered by Enterprise Zones are also temporary – typically available for around 10 years – so that the subsidies on offer do not become permanent 'rents' for businesses. To achieve lasting benefits, Enterprise Zones must enable places to become competitive business locations, so that they can retain companies after the benefits have ended, and attract more business in the future. The extent to which Enterprise Zones benefit places in the long-term is, in CLES' view, open to debate.

Many of the lessons learnt from the Enterprise Zones introduced in the 1980s have already been summarised in a number of think-tank publications, typically focussing on the costs and benefits of, and potential displacement of enterprise activity from one location to another. The main risk identified being, that subsidising firms to locate away from where they would normally locate, zones could distort market signals and impose higher costs on the economy than immediately apparent, especially when the Enterprise Zone designation and benefits cease. The other main risk is the targeting of small business growth in these areas. Small enterprises are more likely (than not) to sell locally, so the possibility that those receiving help simply displace activity in other local businesses is a real risk.

Attempts to minimise these risks are clearly recognised in the application process which puts pressure on applicants to demonstrate how they will secure additional benefits, over and above what would have happened without the intervention.

Enterprise Zones: CLES' thoughts

The role of LEPs

What is less clear from guidance, Enterprise Zone applications and discussion with LEPs and local authorities, is how far LEPs (and other local stakeholders) are/should be actively involved in the preparation and planning of Enterprise Zone strategies. In particular CLES would like to see more attention given to how the 'proceeds' from Enterprise Zones will be used to strengthen not only the zone's offer, but also to support wider workforce development and skills progression across a LEP's functional economic area.

Investment in long term training and skills

Without reconciling some of the tensions this raises, and a concerted effort to invest in training and skills, the 'permanence' of an Enterprise Zones impact is likely to be short. Training and skills investments benefit both the firm and the individual. Firms benefit from more productive employees. Individuals will benefit because this new knowledge should positively impact on their future earnings, even if they leave employment in the zone.

To incentivise training, CLES also support the idea of offering tax rebates on accredited training, but would also suggest a two tier model. Training that only required on-the-job assessment would attract a lower rate of rebate/funding, compared with training which requires time out of the workplace - as this indicates that it is providing training beyond the specific needs of the job; and will help to promote a local 'skills escalator' and therefore a more productive workforce in future.

Business Rate Retention (BRR)

June 2011 saw the publication of a consultation from the Department for Communities and Local Government[7] looking into how local retention of business rates (a tax on all business property) could be used to drive growth at a local level. The proposals aim to incentivise councils to promote growth and job creation, allowing a proportion of business rates to be retained locally.

The overarching ambition is for financial incentives for growth to enable economic factors to be given greater weight within the plan-making and development control system, by providing local authorities with a direct financial benefit for enabling development. Financial incentives also offer an income stream allowing local authorities to finance much-needed infrastructure investment, potentially enabling further development.

The government's consultation seeks views on the proposals to change the way local government is funded by introducing retention of business rates. It also seeks views on options for enabling authorities to carry out TIF within the business rates retention system. Clearly, this represents a big shift in the way that local government in England is financed.

The consultation suggests that enabling local authorities to retain a significant proportion of the business rates generated in their area will provide a strong financial incentive for them to promote local economic growth. Councils have a big influence on growth through planning, investment in local infrastructure, managing the local environment and developing a positive relationship with the private sector.

The question remains as to whether business rates retention will help to incentivise local authorities to take action to promote growth; and what will the intended (an unintended) consequences of such as policy be?

Whilst the specific details of how BRR works in practice clearly remain to be agreed, the consultation outlines some of the potential benefits for residents, businesses and local authorities. These are summarised below, before moving on to discussing the issues where CLES has some cause for concern.

The consultation suggests that members of the general public will 'find their local council's budget is more strongly linked to local business growth'. In general terms, the more new business premises are developed in a locality, the more funding (outside of council tax, fees and charges) a local council will have to provide local services and investment, as well as having positive impacts on employment and the local economy more widely. The proposals include protections to ensure that local authorities (with comparatively lower levels of rates) are able to meet local service needs in their area. How this will work in practice remains far from clear.

[7] CLG (2011): Local Government Resource Review: Proposals for Business Rates Retention
http://www.communities.gov.uk/publications/localgovernment/resourcereviewbusinessrates

The consultation indicates that those paying business rates should see no change in the way in which their business rates bills are calculated. The government is not proposing to change the way that properties are valued or business rates levels are set (as yet). However, it should mean that the rates paid by businesses have more impact on local authority budgets in an area; and that local authorities therefore have more incentive to work with the Valuation Office Agency to ensure that all businesses have their properties valued correctly, and are paying the right amount of tax.

Emerging policy thinking from government also highlights that planning policy and implementation needs to be more responsive to both local business requirements and to market signals. Co-ordinated planning policies are seen as important to achieve desirable outcomes in terms of the vitality of different types of area and also environmental impacts. However, there is a clear view that planning and development policies which do not respond to market signals and individuals' and firms' preferences are doomed to fail. Some recent commentators[8] have even argued:

"The lack of a link between, or recognition of, price signals and development in the planning system has prevented many of England's most successful cities from expanding to their full potential".

Business Rates Retention: CLES' thoughts

CLES welcome the recognition by Government of providing incentives for local places to drive growth, and the growing potential for decentralisation and access to new revenue streams for major urban and local areas. This means that local government should, over time, be given the tools to tackle dependency as well as being given the tools to promote business growth. However, there are some key concerns that remain, to which we will now turn.

System of winners and losers

There is a large variation in the amount of business rates that local authorities currently collect. In some areas, the business rates collected are worth substantially more than an authority's budget; and in others, the business rates tax base only covers a small percentage of current spending needs. A full return of the business rates tax base to councils would result in a politically unacceptable pattern of winners and losers. Some areas, where the business base does not grow, will be worse off than they would be under a system which redistributes all business rate growth.

To affect growth, retention must be sufficient to provide a strong and permanent incentive. However, for all kinds of reasons, the government will need to balance these needs against a desire to ensure 'losing' local authorities do not get left too far behind. How this will be achieved in practice remains to be seen. The government will use the current funding formula to establish the baseline, so there are no winners and losers at the start; and the opposition are calling for the government to ensure that 'no council will be worse off' under the new scheme.

Most of the US evidence here points to an important role for tax rates as a redistribution mechanism *within* urban areas. However, equalisation at 'square one', if achieved, would not be fixed for all time. There are clearly relative changes in population, relative needs, council tax base, council tax levels, etc, such that any local reallocation of resources would need to be 'recalibrated' from time-to-time. How sensitive the system will be to accommodate changing circumstances, remains to be seen. CLES' main concern is that, under current proposals, that some places will begin to be left permanently behind (many still left in 'ill-health' from the last recession), in both absolute and relative (to other places) terms. Indeed, could such policy exacerbate existing spatial divides, putting at risk the government's ambitions of rebalancing the economy?

Even if no local authority is directly worse off from the changes to rate retention (as Nick Clegg has promised), some areas will still be better off than others in the long-term. This in itself can also lead to perverse outcomes unless careful consideration is given to the interaction between planning rules, incentives, 'levies' on successful areas, and support for those areas where rate returns are weaker. Indeed, it remains to be seen what the proportion of business rates should be retained by places.

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[8] Centre for Cities (2011): Room for Improvement - Financial incentives for economic growth http://www.centreforcities.org/assets/files/2011%20Research/11-07-11_Room_for_improvement.pdf

Unintended impacts of change
'Winners' could see better services (or introduce further attractive lower taxes incentives). This would make the winners more attractive places to live in (and do business) – putting upward pressure on property prices. In turn, that creates further winners and losers, including property owners who see the value of their assets rise or decline accordingly.

The market response would be to build more homes and commercial property in the winning areas to satisfy demand, however this then raises a number of issues: the political pressure of those concerned about the effects of further development on house prices (and typically the potential to sell their own property if desired); and the issue of land constraints, typically within areas attractive to the market. For example, popular localities near to regional centres of growth, good transport infrastructure, and often near to good schools and green-belt.

A need to pool resources
Finally, there is the issue of pooling resources. Collaboration, coordination and the pooling of a variety of investment streams within the functioning economic geography and labour market – essentially the LEP level – is required not only to incentivise growth, but to allow more sensitive control over the levers of productivity that will drive it. In keeping with the government's decentralisation agenda, all pooling would be voluntary. This is another difficult area, where the uneven distribution of commercial development across local authorities (and across city regions) in the same broad geographic area could make for some very difficult negotiations on how pooled resources (e.g. investment, funding and officer time) are then allocated to addressing local priorities, including investment choices to support future locus of growth and development. This could clearly put a strain on what is seen in many places at the moment as 'the beginning of a beautiful friendship' spanning administrative and functional economic geographies.

Tax Increment Financing (TIF)

At the 2010 Liberal Democrat Party Conference, Nick Clegg announced that the government are to roll out Tax Increment Financing (TIF) as a key vehicle of 'unlocking growth' and delivering economic development, which does not impinge on local government finances. While this is a relatively new concept to many in the UK, TIF is a method of revenue generation that has been widely used in the US for around 40 years for infrastructure improvements in regeneration programmes. The rationale behind TIF is relatively simple. Councils and other partners forecast increases in business rate and other tax revenues to finance current projects and schemes which are expected to generate tax increases – these could be major regeneration initiatives (and gentrification) of areas which have experienced hard times, for example.

The money upfront is raised through a lead partner or a number of partners – often the local authority or, increasingly, the private sector – the rationale being that the increased tax revenues from the project will pay back on the initial investment. Monies used to pay the upfront investments in TIF are often borrowed from public or private sources, or paid for upfront through capital and equity that private developers may have. Incentivising private sector partners is a crucial element of TIF. Therefore those who invest in TIF schemes are often given tax exemption on the interest they earn from the project.

TIF is used primarily to finance infrastructure projects. Therefore the underlying principle is that supplying new infrastructure and improving on what is already there will encourage further development and increase the value of surrounding property. This in turn increases the property taxation of a locality which funds further economic development improvements. Where regeneration activities are too costly, a now frequent occurance in the current funding environment, TIF allows local government to deliver its objectives.

In the US TIF has used in four key areas:

- urban renewal;
- affordable housing;

- cleaning up pollution; and
- public infrastructure projects.

There have been many success stories across the US in, for example, California, Chicago and Oregon to name but a few. On its own, California has around 400 TIF districts creating over $10 billion per year in revenues. Whilst this of course may be on a different scale to what could be expected in the UK, the potential for TIF in raising capital for regeneration cannot be underestimated. A good example is outlined below, in Portland, Oregon, which outlines the positives (and some of unintended consequences) from using such financing tools.

Case Study: Portland, Oregon, United States

The Pearl District in Portland, USA, provides a good example of how the use of TIF can completely transform an area. This is a former warehouse and industrial area just to the north of Downtown Portland, much of which was derelict, and which suffered from low level crime. The regeneration converted many of the warehouses into loft apartments, and residential blocks have also been developed on previously vacant land. The resultant increase in population in turn attracted a mix of restaurants, bars, retail outlets and art galleries.

While some original residents complain that this process of 'trendifying' has compromised much of what was good about the area, significant efforts were put in to preserving some of its original character. It is clear that TIF has been an immensely powerful tool for regeneration and development in Portland.

However, most partners acknowledge that the city is over-reliant on this one instrument. TIF is limited to physical works; it cannot provide working capital for businesses. And a more pressing concern is the lack of sustainability of the policy – state law limits the percentages of area and property value that can be within dedicated Urban Renewal Areas (URAs). These limits are close to being reached in Portland, with 11 current URAs in operation. Without the capacity to expand the limits, development is likely to be much harder, so the huge challenge facing the city is to find a new mix of funding tools that will allow regeneration to continue.

If more resource could be directed into the general fund in the future, it may be possible to use it for a wider range of economic development instruments. A lot of money will be tied up in TIF for the next fifteen years or more, and – with current liabilities in TIF bonds of around $500m, servicing this debt alone takes up a large amount of the city's finances.

Tax Increment Financing: CLES' thoughts

The above case study illustrates the clear benefits of using TIF, and in general, we believe that it is an innovative mechanism which, if used correctly, has significant potential to regenerate areas which would otherwise be left in a downward spiral with little prospects for residents. However, TIF is a complex finance vehicle and there are a number of key issues that policy makers need to consider, before implementation. These include:

- **Variations in growth potential:** there is the clear danger that TIF favours areas with strong growth prospects. How it will benefit places with less potential for growth remains to be seen and could even drive-up inequalities between places;

- **Lack of revenue from projects:** within the US there are also many examples of where projects have struggled because property values in an area have not increased as initially forecast. Optimism bias, and the fact that forecasts are not always right, gives cause for caution;

- **TIF could potentially drive up house prices in certain areas putting pressure on some communities:** when development causes property values to rise steeply, the resultant increasing house prices can push less affluent residents away from the area, in particular those renting property – rather than owner-occupiers;

- **Danger of over-reliance on TIF:** this would be a long term scenario as TIF will in reality take several years to get off the ground in the UK – however the example of Portland (and there are many others) shows the dangers of using it as *the* prime regeneration tool, tying up a lot of local public and private monies in it. It needs to join up with a wider package of growth incentives;

- **Developer 'free-for-all':** those developers with particularly close political ties could potentially receive favourable treatment to develop TIF areas in a way they see fit, dominating the market and stifling competition. Also, there may be cases where significant amounts of public monies are being used to finance activities that should, arguably, be supported by the private sector; and

- **Higher demands on public services:** whilst continued growth can provide jobs and local prosperity, making these places attractive locations to live, rapid growth in local population can put additional pressures on both local infrastructure and services. This has to paid out of existing budgets, meaning that TIF areas are effectively being subsidised by other areas which are not receiving the benefits.

CLES feel that there are lot of positives around TIF. It has the potential to result in a net gain for local economies, delivering jobs and physical regeneration in an era where public monies for such activity are rapidly diminishing. The potential for 'unlocking growth' is considerable. However policy makers must take note of the potential drawbacks as noted above – the downsides can be significant. Ill thought and poorly evidenced proposals must not be passed through, otherwise TIFs could, in some places, bring more problems than solutions.

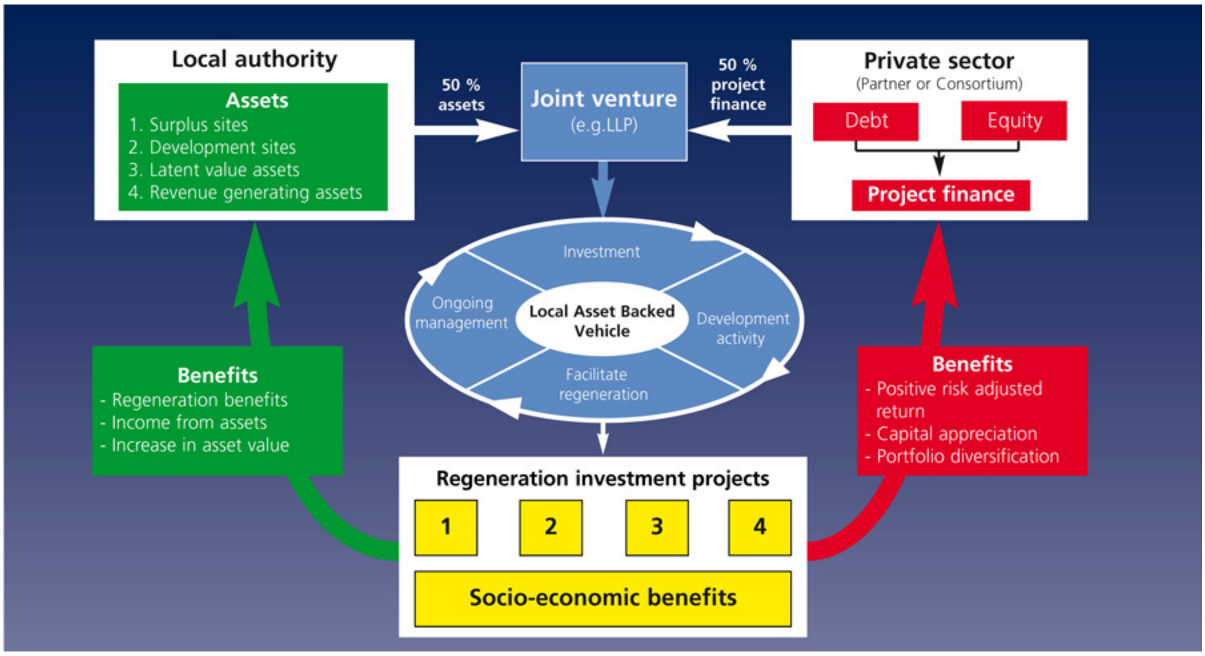
Land Asset Backed Vehicles (LABVs)

LABVs are important for financing capital projects in local areas, and are increasingly being viewed by local authorities as important enablers for regeneration activity. It creates partnerships between the public and private sector, with benefits and acceptable risks for both parties. An LABV is a 50/50 venture between a public sector body and a private company to form a corporate body (limited partnerships) which manages investments into regeneration projects. The public bodies are usually charged with providing the property assets, with the private sector providing the funding. The value of the assets is used by the LABV to raise funds to enable investment and/or regeneration. The structure of a typcial LABV is shown later, highlighting the inputs from both the public and private sector; and the net benefits that can accure to each partner.

There are a number of clear benefits to this public/private approach:

- LABVs potentially have the scale to bring forward major regeneration schemes in places where it would otherwise be stalled;
- it maxmises value from local authority owned assets, allowing whole area regeneration activity to take place;
- it is a good vehicle for combining the skills and competencies of both the public and private sectors, providing a forum for sharing good practice;
- if successful, it can be a catalyst for sound partnership working in the future;
- the corporate status of the organisations allows for long term business plans to be implemented, and they are not endangered as much by short term politcal thinking;
- there is only limited risk which is acceptable to both parties – the public sector assets are guaranteed at minimum prices from the beginning of the venture; and
- importantly, the potential is there for a self sustainable model of regeneration funding – sequentially working on packages of development brings in income which funds regeneration development over time. The LABVs provide returns for the public and private partners, and these are ploughed back into the locality for future projects and programmes.

Model of a typcial LABV[9]



Below is well known case study of an early LABV in Tunbridge Wells, a market town in South East England.

Case Study: Tumbridge Wells, England
In December 2008 the Tunbridge Wells Regeneration Company was set up – a joint venture partnership between the Council and John Laing plc. It was one of the first LABVs set up in the UK, lasting for a decade with the remit of securing the economic, social and environmental well-being of the area. As well as bringing in private sector investment, it was also able to draw on the skills and expertise of John Laing which the local authorty did not have. The LABV is a 50/50 partnership between the council and John Laing, working to deliver civic, retail, commercial, community, or residential opportunities through the redevelopment or regeneration of Council assets. In total it is anticipated that there will be £150 million investment over the next 10 years. The partnership has also been taking forward a master plan for the four towns it is committed to help regenerate: Royal Tunbridge Wells, Cranbrook, Paddock Wood and Southborough. In total, 38 key sites across the four towns will be regenerated. After each project is completed, the development is sold or retained within the partnership to provide revenue. Profits are shared between the Council and John Laing. The LABV is perceived as being the ideal regeneration vehicle in Tunbridge Wells as it ensures the assets provide better value for taxpayers; it stops developers cherry picking sites; it is a simple, but effective structure, it ensures good collaboration/partnership working; and brings forward development which would have taken much longer to have achieved through other means.

Land Asset Backed Vehicles: CLES' thoughts
In our view LABVs will become an increasingly important regeneration tool in the future, as it is a potentially efficient but relatively simple structure which could fill the gap where the likes of Urban Regeneration Corporations (URCs) have been playing a facilitating role, whilst not actually delivering

[9] Source: Lambert Smith Hampton

projects, focussing instead on their strategic role. There are a whole host of benefits and one of the key positives is that it can produce whole area regeneration activity in relatively short timeframes. The partnership processes are effective and inherently flexible, and if it does not work out in terms of delivery of outputs, the local authority is able to look for other third parties. Perhaps most importantly, the potential for sustainable regeneration via the long term income streams for both private and public sector partners is considerable, and this is particularly welcome in an era of austerity.

Conclusions

- **A proactive approach:** This bulletin highlights that, whilst the austerity measures are clearly painful (and severely reduce the options for doing regeneration across the country) there are alternative approaches to stimulating growth. Proactive local authorities and their partners who lead from the front and adopt these models will be in the strongest position to deliver positive change.

- **Enhanced partnership working:** One of the key opportunities emerging from some of the finance models, such as LABVs, is the potential for a new era of public-private partnership working. The success of this approach, in our view, is critical to developing the future resilience of places across the UK.

- **Drawbacks and polarisations:** It is important to note some of the drawbacks of the various approaches – different localities will suit different financial models, and some changes, such as business rates, in our view could lend themselves to increasing inequalities between places. Government must make careful consideration of how initiatives are implemented, including formative evaluation, to ensure lessons are continuously recorded.

- **Scale of development:** Finally, there is an issue in terms of scale. There are of course cases where projects are delivered at the local scale which meet localised issues. But there is also a need for collective action to leverage greater levels of finance and make real inroads to delivering long-term improvements on a wider scale. Linked to this point is a critical question about who has the ability and powers to secure capital. LEPs are supposed to be at the forefront of change, but they are under-resourced and may not have the powers (capacity or local partners) to set up the necessary structures required to deliver change. This raises the key questions: what is the role of a LEP?; and how will the local-sub-regional dynamic play out? Government must be clear about roles of different actors and the expectations put upon them.

Recommendations

What do local policy makers need to be considering moving forward?

1. **Developing a robust evidence base where finance instruments will be applied:** Without a strong evidence base and intricate understanding of the changes that will be made within an area, projects could end up costing significantly more than expected and not achieve the outputs required.

2. **Develop a clear understanding of an areas needs and adopt suitable finance vehicles:** Undertake a needs assessment that covers the commercial, social, and public economy to understand the types of finance tools that will 'fit' best with the requirements of a place.

3. **Develop links with partners beyond local authorities:** Collaboration with other public and private partners across a sub-region will help ensure that more finance initiatives can lever in more capital and ultimately make more of an impact on regenerating places.

4. **Working together to lobby government:** Local authorities need to come together to develop a common evidence base and evaluations of how financial instruments and initiatives are having an impact on their communities and neighbourhoods. The results of research need to be fed back to government in a coordinated voice.

Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is the leading membership organisation in the UK dedicated to economic development, regeneration and local governance. CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start digital magazine, through its new CLES online service, which provides comprehensive analysis and commentary on current policy and good practice.

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