

**Area-based regeneration  
strategies (SRB and AIF) –  
A context and issues paper to  
the South East England  
Regional Assembly**

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Assembly**

**SQW Quality Statement**

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# Executive Summary

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- 1.1 SQW was commissioned by the South East England Regional Assembly to develop a context and issues paper covering area-based regeneration relating to SRB and AIFs. The paper has been commissioned to help set the scene for the Assembly Scrutiny Committee's enquiry into AIFs and to stimulate responses from regional partners and organisations with an interest in regeneration and economic growth in the region. The Committee will hold a formal enquiry hearing in London on November 16<sup>th</sup> 2004.
- 1.2 The study involved a desk research phase, identifying policy related material, and also a number of interviews. The study methodology adopted was desk research combined with the consultation with representatives from the South East England Regional Development Agency (SEEDA) and Government office for the South East (GOSE), together with other stakeholders, partnerships and public service providers.
- 1.3 This paper represents evidence from the views of stakeholders and analysis of AIF-related policy documents. As a result, it is strongly informed by perceptions of stakeholder rather than a detailed AIF-by-AIF evaluation. Some views may be valid for the purposes of this study, but anecdotal in terms of full evaluation. The study aims to generate appropriate discussion, not to judge individual AIFs.

## ***Broad regeneration context***

- 1.4 This paper examines the SEEDA's SRB programme expenditure and the devolved budget that assist and deliver Area Investment Frameworks (AIFs). SEEDA's current SRB and Devolved budget is £36m, which represents a third of the Agency's single programme expenditure of £109m. Within the £36m budget, the RDA has been given the complex role of both managing the current SRB programme whilst also coordinating the retirement of SRB as a distinct national programme in the South East. Simultaneously, the Agency is using the remainder of the Devolved funding to support, catalyse and deliver a separate form of area-based regeneration through AIF policy.
- 1.5 SRB and the newly evolving AIFs are best seen in the context of all area-based regeneration funding programmes developed by national or regional Governments over the last decade. Area-based initiatives usually concentrate on a tightly specified geography and devote earmarked funds through special purpose vehicles – often failing to take account of mainstream services. The standalone intervention model typically seen with SRB is coming to an end partly because many SRB projects have duplicated mainstream services, but also because many mainstream providers themselves have a clearer idea of

their role in disadvantages areas. New mainstream agencies have been established whilst others have seen their budgets increase over recent years. More flexible funding, and the experience of partnership working mean these agencies are better positioned to deliver services to disadvantaged communities that previously relied on a separate pool of SRB project-based funding.

### ***Development of AIF policy***

- 1.6 SEEDA first developed area Investment Frameworks (AIFs) as policy in October 1999 shortly after the founding of SEEDA in 1998. During this time five pilot AIFs in the South East were developed. However, between 1999 and 2002, the policy context for regeneration changed with Government policy shifting away from area-based initiatives towards mainstream programmes and a coordinating and rationalising role through Local Strategic Partnerships. Regional Planning Guidance (RPG9) also provided a new area-based spatial framework for regional strategies and programmes. The new geographical spatial level reflected larger economic areas, rather than the much smaller estate-level focus of many previous regeneration initiatives. In 2001 a new package of measures for the RDAs was also developed. RDAs were required to work within a 3-Tier performance framework set by Government. The revised Regional Economic Strategy also set out nine areas to be addressed for regeneration; these provide nine of the current 10 formal AIFs in the South East.
- 1.7 AIFs are a tool to determine the most effective way of aligning and deploying all public, private and voluntary sector resources throughout a particular area, although they are not a formal economic development strategy. AIFs provide the opportunity to integrate national and regional priorities with needs established at a local level. AIF Partnerships also provide a forum to draw together the key stakeholders from public, private and voluntary sectors. It is not yet clear how far the remit of AIF administration might extend beyond just SEEDA Devolved funding, especially if other SEEDA funding was delivered via the AIFs. *As a result, should a much broader range of SEEDA departmental expenditure be channelled through AIFs and corporate planning documents more fully support the development of AIFs?*
- 1.8 SEEDA says it has a dual role – to help catalyse AIFs and to be part of a subsequent delivery phase to secure AIF objectives and vision. The first phase involves identifying the agreed priorities, mapping investment plans of public, private and voluntary sector organisations against these; and persuading all partners to engage with SEEDA on equal terms as funders in the area. SEEDA is currently undertaking significant work to develop the first stage of this process, and this has been generally well received.

- 1.9 There are some potential pitfalls however. Development of partnerships and plans has relied extensively on external consultants and have not fully engaged with all main public agencies. As a result, some areas may have produced poorly informed strategies – with limited external buy-in – during their critical early phase. There is also confusion as to what the role and impact of SEEDA’s Devolved budget should be in relation to AIF strategy. SEEDA’s obligations to use its resources to achieve Tier 3 outputs has focused objectives on project-type activity rather than capturing opportunities to configure main programme expenditure. *The question arises, are the project-orientated and output-focussed activities being developed for SEEDA Devolved funding the most appropriate method to catalyse change and generate local investment frameworks and related capacity?*

#### **Description of the emerging AIFs**

- 1.10 There are currently 10 AIFs, with one semi-formal AIF (West Kent) and several informal AIFs. The 10 AIFs have developed strategic positions that meet the objectives of LSP Community Plans as well as the Regional Economic Strategy and, in some areas, Partnerships deliver part of the LSP agenda whilst pursuing regional economic development goals. The geographical boundaries of AIF areas provide a good fit with real localities that have shared economic characteristics and priorities – and this contrasts with many LSPs that are congruent with local authority boundaries. Where AIFs and LSPs start, finish and interrelate is a cause of confusion to many at a local and sub-regional level; particularly new potential partners not familiar with the concept.
- 1.11 Delivery arrangements designed to further AIF objectives are resulting in new infrastructure that has good capability. In some places, Partnerships have dedicated staff and SEEDA is committed to support their training requirements. However, most AIF partnerships do not yet have a full complement of stakeholder organisations engaged, so fuller capability is not yet developed. Although most public sector partners strongly support the AIF approach, some mainstream service providers are concerned that a ‘bidding-culture’ persists under the new arrangements. *This raises questions about resourcing both within and out of SEEDA related to developing, training and administering AIFs. There might also be benefits from providing maps that set out more clearly how AIFs and LSPs relate, and guidance for potential public sector partners on how to engage. SEEDA policy may need to consider how AIFs can be configured to make them attractive to all mainstream providers and more ‘business focussed’ in relation to discussing wider investments.*
- 1.12 There are, however, some emerging benefits at a strategic level already attributable to AIFs. These include; empowered lobbying by local partners, influencing other agencies

planning frameworks (LSCs and potentially Business Link) and the ability to coordinate new partnerships between local authorities have historically been quite competitive. In some areas, the AIF is also generating a new forum to discuss what is best for the local economy and has provided a more relevant vehicle for business involvement than an LSP. An explanation provided for these strategic impacts is that AIFs are often taken seriously in Government and by local partners. There is clearly potential for such benefits to develop further. *How can SEEDA best foster genuine strategic focus and further encourage the process of AIF development?*

### **The distribution of benefits from AIF policy and devolved funding**

- 1.13 SEEDA inherited the early rounds of SRB spending and was responsible for determining the final two rounds of SRB allocations. SEEDA now have the difficult task of re-configuring or closing a popular regeneration programme (SRB); there will invariably be winners and losers. SEEDA has been closely involved in developing exit strategies for SRB partnerships. There is a strongly articulated view within the Agency that AIFs, while appearing to be within the same devolved funding stream, are not a replacement for SRB. Outside the Agency, however, a widespread perception remains that SEEDA is supplying SRB continuity funding under a different name. This confusion is sometimes compounded because the Agency itself sends unclear signals about the nature of the AIF process.
- 1.14 Throughout the development of AIFs there has been recognition at a policy level that AIFs cover business, public and community investment. However, rightly or wrongly, there is also a widespread perception outside the Agency that AIFs are more balanced in favour of economic regeneration than community development – and this is mainly because of the emphasis placed on Tier 3 outputs which have an unrelenting focus on business, skills, physical infrastructure and land development. SEEDA argues that LSPs and local authorities now have significantly more mainstream resources than has historically been the case and also more direct obligations to promote the wellbeing of their communities. *However, the question arises, whether the current balance of community versus economic development in relation to AIFs is correct? Furthermore, should all of SEEDA's expenditure be required to contribute equally to Tier 3 outputs, or should there be substantial flexibility between funding streams to focus on different areas of activity that ultimately achieve broader Tier 2 outcomes?*
- 1.15 There are a number of other impacts arising from the wind-down of SRB. Some SRB partnerships have developed effective exit strategies, which have been strongly supported and helped by SEEDA. Others have evolved into AIF administrations, or become rationalised through merger with other SRBs – and in some places have developed informal AIF administrations.

- 1.16 By stating that AIF arrangements will focus on priority areas implies that SEEDA will become less focused on areas that lie outside these designated areas. The priority areas tend to lie along the coastal parts of the South East and this consequently excludes Oxfordshire, Buckinghamshire, Milton Keynes and Berkshire – which include areas of economic need albeit in quite small geographies. Throughout the region, there has been a tendency to try and second-guess SEEDA’s intentions for future funding and this has generated activities and expectations at a local level. *The approach towards Investment Frameworks has thus generated a number of “unofficial” AIFs or influenced local expectations of future funding. Should there be policy guidance in these cases? Should they be incorporated into any future evaluation of AIFs?*
- 1.17 A critical part of the region’s infrastructure has acutely felt the change from SRB to AIF investment. The community and voluntary sector (CVS) has an important role to play in influencing, shaping and delivering mainstream services and this has been emphasised repeatedly by central government and reinforced in the RES itself which highlights “the unique role that the sector can play in the development of the South East”. The RES commits regional agencies to “recognise and support” the sector and has agreed a regional compact that promises transparency and consultation in its dealings with the sector. Some in the CVS argue that the AIF-originated practices are inconsistent with the Compact commitment and that Partnerships have poor engagement with the sector. There are also funding anxieties expressed by the CVS: other major investors such as the Lottery distributors are reportedly considering delivering their funding through the AIFs. Given the economic steer of the AIFs this has raised understandable concern regarding the future stream of Lottery Funding for CVS priorities. *In view of government policy to increase the role of the CVS in influencing, shaping and delivering mainstream services, what role should the CVS play in AIFs?*
- 1.18 Arguably, it should be for LSPs to configure how CVS and mainstream services are co-delivered rather than SEEDA to resolve the dilemma through the AIF machinery. Nonetheless, this illustrates the confusion between AIF and LSP roles and policy for several potential public sector investors. Both AIFs and LSPs have a central rationale to align mainstream programme expenditure but LSPs were also originally supposed to help rationalise or coordinate other partnerships, including SRB, not contribute to partnership complexity. *Thus, in conclusion, is the current and future framework of AIFs and LSPs the best arrangement to optimise the partnership of wider mainstream funding programmes? Furthermore, perhaps AIFs should more formally develop local area economic development strategies to make them clearly distinct from LSPs?*

# 1 Context and issues – Area-based regeneration strategies (AIF and SRB)

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- 1.1 This paper considers current and emerging SEEDA policy regarding area-based regeneration in the South East. It is set in the context of SEEDA's SRB programme expenditure and its Devolved budget to assist and deliver Area Investment Frameworks (AIFs). From the 2004/5 SEEDA Business Plan, the current SRB and Devolved budget is identified as three areas of expenditure:
- Competitive Business – SRB/Devolved/rural- £3.9m
  - Vibrant Communities – SRB/Devolved delivery- £26.7m
  - Successful People – SRB Devolved/rural £5.4m
- 1.2 The total Single Regeneration Budget (SRB)/Devolved budget of £36m represents 33% of all SEEDA's Single Pot budget of £109m. Within the £36m budget, the RDA's have been given the complex role of both managing the current SRB programme whilst also coordinating the termination of SRB as a distinct national programme in the South East. Simultaneously, they are using the remainder of the Devolved funding to support, catalyse and deliver a separate form of area-based regeneration through AIFs. The current 2004/5 Business Plan does not provide a split between the SRB and the Devolved funding indicative allocation related to AIFs.
- 1.3 The paper deals with the history and delivery of SRB, AIFs and their development in the context of area-based regeneration policies, and the impact and the implications for SEEDA and other stakeholders.

## **Area-based regeneration strategies**

- 1.4 The departing SRB and to an extent the newly evolving AIFs are forms of area-based regeneration. They are best seen in the wider context of all area-based regeneration strategies developed by national Governments. These are distinct from other types of regeneration in that they are tightly specified to a location, as opposed to wider regeneration policies (e.g. VAT on brownfield housing development, planning policy and local use of business taxes).
- 1.5 Over the past 2 decades, there have been successive attempts by government to deliver area-based regeneration strategies in response to a concern about the problems of deprived

areas. Initiatives have varied in geographical size, level of community involvement, degree of funding and often with very different strategies for catalysing regeneration:

- **Competitive bidding and community led regeneration** - Single Regeneration Budget/New Deal for Communities/Neighbourhood Management/NRF
- **Small scale physical renewal in housing areas** - City Challenge/Estate Action
- **Critical mass strategies involving property and infrastructure led regeneration** - Urban Development Corporations/Urban Regeneration Companies/New Towns
- **Thematic regeneration** - Housing Action Zones/Education Action Zones/local tax relief schemes/Enterprise Zones

1.6 The academic literature provides much debate about the rationale and success behind these types of initiatives. That many areas still have regeneration needs despite years of targeting suggests inherent difficulties in succeeding with area-based regeneration. Some might argue whether area-based regeneration is as effective as, say, increasing mainstream budgets. There is certainly a political value to some types of area-based regeneration as they can be a high profile tactic that aims to catalyse improvement, but with relatively few resources. Thus the challenges for AIFs and the successor strategies relating to SRB should not be underestimated. In addition, with a budget of £36m for a single year covering the entire South East, there may be a limit to what can be achieved.

1.7 There are also other reasons why the one of the more longer-standing programmes - SRB - is coming to an end. SRB aimed to fill the gaps left by failing public services and to pull-together many disparate funding sources through control of a single pot of resources. The terrain that framed the need for SRB has now changed significantly (see box below). The change in funding environment since the early rounds of SRB is significant. In particular, new funding routes and spending agencies have been established which should significantly absorb the need for continuation of SRB services – these include NRF, NDC, the LSC and Jobcentre Plus. However, the South East experiences some difficulty accessing substantial quantity from new funding sources because these are more skewed to other regions – and have been allocated on the basis of broad geographical indicators which fail to pick-up small areas of need in the region.

### Changing roles in public services and SRB

- Local authorities now have significant increases in real term to their budgets and have a clearer responsibility duty of well being for their communities.
- Public services have become more flexible in the delivery of services, working in local partnerships and generally able to operate at a local level, effectively encroaching on the role that SRB once played.
- The philosophy of competitive bidding has moved to evidence based policy.
- Some of the more effective SRB projects were taken up by Local Authorities and rolled out as improvements to public services.
- Grant funding from government is no longer delivered through a single pot.
- Many government departments have their own grant regimes. Consultations for this study reported that in one AIF areas there were around 30 different streams of government grant funding. The need is for coordination, not systems to distribute resources.

### The history of Area Investment Frameworks (AIFs)

- 1.8 The South East England Regional Development Agency (SEEDA) first developed area Investment Frameworks (AIFs) as policy in October 1999 shortly after the founding of SEEDA in 1998. They were one mechanism amongst other policies for SEEDA to deliver the **1999 Regional Economic Strategy (RES)**<sup>1</sup>. The RES stated that New Deal, the Single Regeneration Budget (SRB) and initiatives such as New Commitment to Regeneration were still tending to operate independently. The RES identified the need for the development of 5-10 year **Area Investment Frameworks (AIFs)** that would bring together the principal public, private and voluntary sector partners in a given area. The RES stated that AIFs would focus funding in an integrated way to address a range of issues from social inclusion, community capacity building to strategic employment sites. To this end, and in conjunction with SRB Round 5 and 6 funds, SEEDA supported the development of **5 pilot AIFs** covering the areas of Southampton, Thames Gateway, North Kent East, Coastal East Sussex and the Isle of Wight.

#### *Subsequent national and local regeneration policy*

- 1.9 During the pilots, the policy context for regeneration changed with Government partnership policy in 2000. The policy agenda shifted away from area-based initiatives towards mainstream programmes. The **Government Intervention in Deprived Areas (GIDA) review**<sup>2</sup>, part of the Government's Comprehensive Spending Review, highlighted that successive phases of area-based intervention had failed to reduce inequalities. The

<sup>1</sup> Regional Economic Strategy 1999 <http://www.seeda.co.uk/Publications/docs>

<sup>2</sup> "Local Strategic Partnerships: Government Guidance" Department of the Environment, Transport and the Regions, March 2001 ([www.neighbourhood.gov.uk/formatteddoc.asp?id=95](http://www.neighbourhood.gov.uk/formatteddoc.asp?id=95))

GIDA review called for the rationalisation and simplification of existing partnerships in order to:

- Refocus main programmes to ensure that narrowing the gap between deprived neighbourhoods and the rest is one of their key objectives;
- create new and stronger co-ordinating mechanisms at the local level to enable services to work together more effectively; and
- ensure that area-targeted initiatives provide an additional push to improve main services rather than compensating for their failings.

1.10 This new agenda placed the emphasis away from Area Based Initiatives (ABIs) and towards mainstream delivery that was coordinated locally and was flexible enough to respond to local needs. Consequently, the Government called for the establishment of **Local Strategic Partnerships** (LSPs). As non-statutory organisations, LSPs would bring together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services can support each other and work together. LSPs' core tasks<sup>3</sup> would be to:

- prepare and implement a community strategy for the area;
- bring together local plans, partnerships and initiatives to provide a forum through which mainstream public service providers work effectively together;
- develop and deliver a local neighbourhood renewal strategy.

1.11 LSP guidance also referenced the GIDA objective to rationalise partnerships and avoid duplication. The **Local Government Act 2000** also required local authorities to prepare a community strategy. LSPs were to be at the centre of its delivery. It also gave local authorities a more specific duty in relation to the well being of its communities.

### *Regional Planning Guidance*

1.12 The policy context for AIFs shifted yet further through the development of new spatial concepts emerging from regional planning documents. In March 2001 the **Regional Planning Guidance (RPG9)**<sup>4</sup> set out the regional framework for the preparation of local authority development plans in the South East and provided the spatial framework for other regional strategies and programmes. The new geographical spatial level reflected

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<sup>3</sup> ibid

<sup>4</sup> "Regional Planning Guidance for the South East (RPG 9)", Department of the Environment, Transport and the Regions, March 2001 ([www.go-se.gov.uk/key\\_business/planning/downloads/final\\_rpg9\\_report.pdf](http://www.go-se.gov.uk/key_business/planning/downloads/final_rpg9_report.pdf))

larger sub-regional economic areas rather than the much smaller estate-level focus of many previous regeneration initiatives. The key relevant conclusions of the report were that:

- within the largely prosperous South East region there were numerous areas facing physical and economic decline, the guide established 8 Priority Areas for Economic Regeneration (PAERs);
- areas were designated PAERs on the criteria of exhibiting above average unemployment rates, high levels of social deprivation, low skill levels, dependence on declining industries, derelict urban fabric, peripherally and insularity;
- it will be important for expenditure under programmes being delivered in PAERs to be coordinated with local spending programmes through partnership working, and for strategies to be locally designed.

#### *Development of the RDA Single Programme and revised RES*

- 1.13 During the same month (March 2001) the Deputy Prime Minister announced a new package of measures for the RDAs, including giving them more flexibility in the way they use uncommitted funding. Under these new measures SRB, which had been in operation for 7 years, would cease at funding round 6 with RDAs having to meet their commitments to SRB round 1 – 6 from a **Single Programme** (Single Pot) from April 2002. In return for greater financial flexibility, RDAs were required to work within a 3-Tier performance framework set by the Government. This included the agreement of **regional outcome targets** used to measure progress (Tier 3 targets).
- 1.14 The revised Regional Economic Strategy<sup>5</sup> published in 2002 set out SEEDA's policies to generate new delivery mechanisms to implement and support regeneration in relation to SRB and PAERs, and also made more formal reference to potential local economic strategies. SEEDA's 2002-2012 RES stated that with the SRB programme coming to an end by 2006, commitments to existing SRB schemes need to be accompanied by the development of new arrangements to support local regeneration.
- 1.15 These arrangements were to focus particularly, although not exclusively, on deprived areas. The preparation of AIFs was key to this integrated approach, with LSPs identifying local needs and priorities and developing a strategic framework that ensures community engagement. Nine areas were identified to be addressed through these arrangements:
- (3) Thames Gateway Kent / East Kent / Channel Corridor Kent

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<sup>5</sup> Regional Economic Strategy for South East England 2002-2012, ([www.seeda.co.uk/Res/docs/RES\\_Main\\_Web.pdf](http://www.seeda.co.uk/Res/docs/RES_Main_Web.pdf))

- (3) Southampton / Isle of Wight / South East Hampshire
- (3) Coastal East Sussex / Brighton and Hove / Coastal West Sussex

*2004 AIF policy and funding*

1.16 In 2004, SEEDA produced the **AIFs in Priority Regeneration Areas - Guidance for Partnerships**<sup>6</sup>, within which, SEEDA's present vision for AIFs was explained. The document also represents significant action by SEEDA to assert and define AIF policy in more detail. The vision for AIFs can be summarised as follows.

- AIFs are a tool to determine the most effective way of aligning and deploying potentially all public private and voluntary sector resources throughout a particular area.
- An AIF is not itself an economic development strategy, but concentrates on the financial and spending plans of the main organisations that will have a stake in implementing a strategy.
- AIFs provide the opportunity to integrate national and regional priorities with needs established at a PAER level.
- AIF Partnerships provide a forum to draw together the key stakeholders in PAERs from public, private and voluntary sectors.

1.17 The guidance also specifies that "as a general principle SEEDA seeks to deploy its funds in ways which will most effectively act as a catalyst for change".

1.18 Of the non-SRB funding within the £36m Devolved budget, one part provides the resources to help catalyse the generation of AIFs. Other parts of the Devolved budget are to help deliver SEEDA's obligations towards the vision provided by the Framework. This broad tactic and rationale has been stated in several policy documents regarding AIFs, but it is not necessarily recognised throughout SEEDA's corporate planning documents. Neither are there clear budgetary distinctions in the 2004/5 Business Plan. The diagram overleaf demonstrates how the Devolved funding budget relates to AIF structures.

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<sup>6</sup> Provided by SEEDA September 2004

**Diagrammatic description of AIFs and their relationship to funding streams**

Funding streams						
£36m (SEEDA Devolved funding)				£70m	£ Unknown	
SRB outside of AIF areas	SRB within AIF areas	Catalysing AIF development	To deliver AIF objectives/vision	Other SEEDA single pot funding	Central Government programmes and grants	Local mainstream funding  Business and community
		AIF development				
	AIF management administrations					
	SEEDA's accountability and appraisal obligations (e.g. SPAG)					
Full partnership remit of AIFs and their related networks						

- 1.19 The total potential funding streams covering the AIF areas beyond SEEDA's Single Pot is not known. Although, SEEDA has undertaken mapping work to identify many Central Government Programme expenditure relating to Single Pot and sector-based and area-based programmes in the different AIF areas. This has been circulated to AIF partnerships. It is not clear how far the remit of AIF management administration might extend beyond just SEEDA Devolved funding, especially if other SEEDA Single Pot funding was delivered via the AIFs or other partners contribute flexible funding.
- 1.20 The guidance states that AIFs will need to follow new appraisal guidelines to meet the need for SEEDA to be compliant with Single Programme Appraisal Guidance (SPAG)<sup>7</sup>. SEEDA report that they will be developing training in new guidelines and also providing help for partnerships to develop capacity and skills over time. The guidance also sets out detailed descriptions of management and administrative arrangements for the delivery of AIFs. These are detailed, and provide a structure that has many similarities to established practice of many SRB administrations.

<sup>7</sup> <http://www.offpat.info/publications.asp>

## Analysis of SEEDA AIF policy

- 1.21 There is a reasonable degree of recognition that AIFs are a potentially powerful tool that is appropriate to SEEDA's role as a regional enabler-agency rather than a substantial direct funder. The genesis of the AIFs has been a slow process of evolution – arising firstly from a commitment made in the original RES to focus on areas of particular need and opportunity and now underpinned by the very strong spatial and physical regeneration character to the revised RES. The AIF process has led to three fundamental shifts in thinking amongst the Agency and its partners.
- 1.22 Firstly, the AIFs have developed a recognition of new geographical areas, rather than a tidy fit with existing administrative boundaries as is the case with LSPs. Secondly, the areas generally have common economic priorities or an economic rationale. The selection of AIF areas explicitly recognised need for different sized geographies and a degree of self containment. This is reinforced by the revised RES placing greater emphasis on the priority areas. Thirdly, the AIF process has driven structural change within SEEDA itself and resulted in a combination of functional directorates and a comprehensive, cross cutting area-based approach.
- 1.23 Although there is a strong logic to SEEDA's model for AIFs, the rationale and its implementation are still not well understood by all, although this may partly reflect the new and experimental nature of the AIFs and their continuing evolution. To assist in providing a better description of AIF policy, through consultation and policy analysis, we propose the following additional rationales for AIFs:
- A key tactic of the AIF approach relates to achieving wider objectives. SEEDA's direct development funds are much more limited than other RDAs. They may also not be commensurate with more ambitious opportunities set in regional economic strategies. As a result, AIFs aim to influence and coordinate all expenditure including public sector expenditure as a wider resource to meet SEEDA's wider development objectives.
  - AIFs also provide, for the first time, a coherent and consistent level of structure, whether it be strategy or administration, with which SEEDA and other agencies can engage and plan with. Tactically, these have a spatial fit with areas that have a single economic rationale or common priorities. The previously inherited patterns generally map to existing local authority or SRB partnership boundaries which do not necessarily provide a fit to economic sub-geographies.
  - SEEDA's funds are organised according to 3 different principles: direct delivery (major infrastructure projects), contracted spend (either through commissioning projects or competitive bidding) and devolved spending (allocated to each

partnership). AIFs – as planning statements – should be able to influence all 3 of these and give the Agency some comfort that its investment is right for local circumstances. At present, AIFs are not used as the planning framework for all of SEEDA’s different funds but this reflects an evolving process that is still underway.

- 1.24 Area Directors perform a critical role in ensuring some of the benefits are achieved. The Area Directors and teams working across SEEDA directorates are fundamental to success by ensuring that each AIF creates at least a forum for discussing all SEEDA decisions in AIF areas and are important role in political management. The teams have been successfully operational for 18 months. SEEDA has put talented people into these sensitive posts and it is generally felt that they work well. However, SEEDA’s 3-year Corporate Plan is not yet fully geared to the AIF rationale – although this too reflects an evolving environment in which SEEDA needs to determine how much of its own investment should be shaped by the frameworks in its priority areas.

**Discussion Point 1:** Should a much broader range of SEEDA departmental expenditure be channelled through AIFs and corporate planning documents more fully support the development of AIFs, or should expectations of what AIFs can deliver be tempered?

*The role of SEEDA’s devolved budget*

- 1.25 As explained above, there is both a catalyst phase to develop AIFs and then a subsequent delivery phase to secure the AIFs objectives and vision. The first phase includes;
- Identifying the agreed economic development and regeneration priorities for the area over 3-5 years;
  - Mapping the existing and future investment plans of public, private and voluntary sector organisations against these; and
  - Persuading public service providers and partners to engage with SEEDA on equal terms as funders in the area.
- 1.26 The second stage is where the AIF helps target funding more effectively. New investment decisions can be put along side each other, they can also take into account investments that are already delivered with an aim to enable better joint investment planning between different organisations to best address a wide range of local priorities that may range from housing needs to the supply of skills.
- 1.27 SEEDA is currently undertaking significant work to develop the first stage of this process. The Agency’s devolved funding budget and the more recent policy guidance produced by

SEEDA is positioned to catalyse the process; and SEEDA has undertaken work including mapping of public sector expenditure. This methodology for designing AIFs logically leads SEEDA towards a different form of procurement – shifting away from open competitive bidding (the SRB approach) to a more deliberative process of identifying needs/opportunities, setting priorities and then commissioning services, projects or physical investments to match the plans requirements.

1.28 While the process aligns well with evidence based policy development, there are potential pitfalls:

- In the preparation of most AIFs, partnerships relied extensively on external consultancy support to develop the evidence base and to help partners identify and agree on needs and opportunities. However, this has resulted in some inconsistency in methodology and quality across each AIF, and SEEDA will need to ensure that AIFs do not consequently incorporate poorly informed priorities or activities.
- There is evidence that some AIFs are still developing suites of previously available pipeline projects rather than new thinking and evidence driving procurement and commissioning processes.
- SEEDA may have been a little too quick to agree on who are the stakeholders and what should be the priorities in some areas. Different AIFs may progress at different rates. Setting priorities too early has been identified as a contributing factor to the failure of some other area-based devolved funding initiatives elsewhere in England.

1.29 There are also some identified obstacles to the delivery of AIFs. For example:

- There is some confusion as to what the role and impact of SEEDA's devolved budget should be. While the pure science of AIFs and how they are to be catalysed is clear to some SEEDA staff, it is less so for other stakeholders.
- There are other policy pressures added to AIFs that dilute the rationale. For example, SEEDA has obligations to use these resources to achieve its Tier 3 outputs. This focuses objectives on project-type activity to deliver these, rather than fast tracking the capture of shorter-term opportunities to configure main programme expenditure.
- The SEEDA guidance for the devolved budget administrations has a close and recognisable similarity to SRB type administrations. SRB type operations are not necessarily configured for aligning mainstream programmes. Indeed, the SRB approach may not be the best structure to develop new ideas.
- Some senior mainstream service providers are already enthusiastic to engage and may not need a catalysing phase or Devolved funding to attract them. They already have

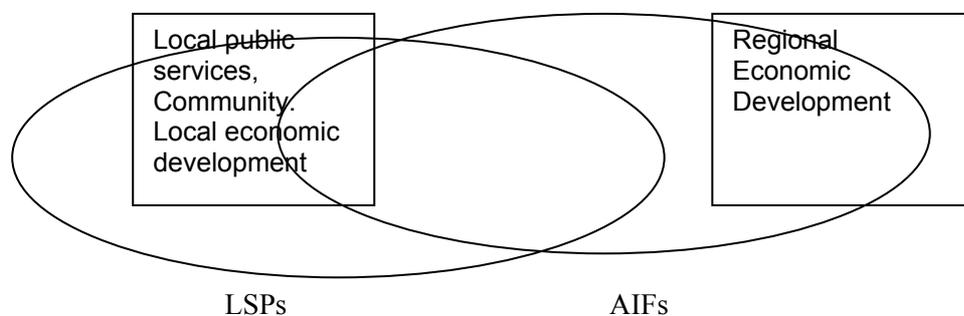
access to significant resources, and are more interested in a structure with which to engage or contract.

- While some senior service providers are happy with the partnership-board approach, other potential partners report less enthusiasm for attending SRB-style partnership meetings. In particular, discussions that focus on local project-level discussion and bid funding are reported as a “turn off”.

**Discussion Point 2:** In view of the change to more localised pattern of mainstream programmes provision is the consultancy-report driven, project-orientated and output-focussed activities being developed for SEEDA Devolved funding the most appropriate method to catalyse change and generate local investment frameworks and related capacity?

### Analysis of the emerging AIFs

- 1.30 There are 10 AIFs, with one semi-formal AIF (West Kent) and several informal AIFs. In relation to the 10 AIFs, they have developed a strategic position stretching between LSPs and the Regional Economic Strategy. In many areas, they in effect carry out part of the LSP agenda, but for the purposes of regional economic development.



- 1.31 The boundaries of AIFs provide a good fit with real local areas with shared economic interests and priorities, although the fit is not always agreed with all views about the coherency of the areas. This contrasts with LSPs that have geographies directly congruent with local authority boundaries. In some areas there are several AIFs within a wider strategic partnership (e.g. The County of Kent) and others have several LSPs within an AIF (e.g. South Hampshire AIF). AIFs in part have come to fill some of the strategic gaps left by LSPs. While this is a benefit, any changes in policy regarding LSP may impact upon AIFs. There is some evidence that policy might be moving towards LSPs revisiting the breadth of their role.

- 1.32 The nature of the strategic fit in particular, and where AIFs and LSPs start and end is a cause of some confusion to many at a local and sub-regional level; particularly new potential partners not familiar with the concept.
- 1.33 What causes confusion to some stakeholders, may be seen by others as an evolving process of AIF formation by which the high-level strategic terms of reference are negotiated or settled. The relationships can be highly political; in particular for AIFs covering some local authorities who can be quite competitive. While the process appears complex there are potential benefits – long-standing differences are being overcome. Some stakeholders are talking to each other where previously they were not, and consequently, the AIF has become a forum to discuss what is best for the local area. The process is also still evolving.
- 1.34 There is also evidence that AIFs are aligning main programme activities of other public services. For example, the South East Hants AIF provides an example where the LSC is aligning its Strategic Area Review process to the AIF geography. Although it is not clear if all LSC funding is due for alignment under the AIF. Business Link also has a close involvement with AIFs. However, strategic fit is made more complex where there are other funded economic local partnerships or strategic investments:
- The North Kent AIF is also subject to the Thames Gateway Partnership, the Thames Gateway Kent Partnership, Kent Thameside and others. These can be supported by their own ODPM funding sources.
  - English Partnerships has strategic activities and sites in some AIF areas, but they do not always connect or are geographically separate programmes (e.g. Coal Fields).
  - EP housing investments are not within the AIFs, partly because other plans are creating demand for affordable housing, but nonetheless, AIFs may not be capturing the full extent of these investments or ensuring that complementary investment is marshalled alongside new housing commitments. Nonetheless, alignment of EP and SEEDA work is well coordinated at a regional level and there are ad-hoc arrangements in the Sustainable Communities growth areas.
- 1.35 The primacy of the AIF concept has also been weakened by a history of some direct and contracted SEEDA funding allocated outside of the AIF process in Priority Regeneration Areas. SEEDA might argue that this is partly a presentational difficulty – many of the Agency's land and property investments are reactive to opportunities, depending on availability and can be affected by commercial confidentiality.
- 1.36 Where there are other significant economic strategies, the AIF risks dilution by being one of many streams of funding and is not necessarily the forum used to discuss strategic sites.

Some people question the need for AIFs based on the model proposed, and consider whether there is a need for just better joint working between agencies to funnel funding streams or local economic development strategies that extend beyond local authority borders.

#### *Emerging AIF administrations*

- 1.37 Some but not all 10 AIFs have formal structures and identities. For those that do, generally, AIFs can contain some or all of the following elements of activity, or are moving towards them:
- AIF development activities (facilitated by SEEDA), including intelligence sources to identify priorities (e.g. commissioned consultancy reports)
  - Management administration
  - Informal linkages, networks and partnerships or subgroups
  - A formal membership-based partnership
  - Emerging agreed priorities and emerging AIFs
- 1.38 The AIFs have been active in identifying need and SEEDA has provided support that has been well appreciated. Local knowledge derived from the legacy of SRB, commissioned studies and research, new government information regarding deprivation (particularly through ID 2004 and Census 2001) has meant there is a wealth of available information on which to identify need.
- 1.39 The management administration functions for AIFs are developing into quite strong capabilities in some areas with dedicated staff. They are often formed through the evolution of administrations for other functions such as SRB programmes or economic partnerships. A number of issues are relevant:
- The funding methodologies proposed by SEEDA are creating some confusion between the inherited notion of match funding and a newer concept of joint funding. This has not been well explained in current SEEDA guidance.
  - Some officials interpret the SEEDA management guidance as rules rather than guidance. As a result, they are implementing it strictly and literally although the sums of funding may not actually warrant the level of administration capacity that is being developed.

- There is some competition from existing partnerships as they try to foster SEEDA's interest and confidence by developing highly accountable structures. SRB project funding in some places is used to develop AIFs. As a result, there are anxieties reported about the level of bureaucracy and cost generated through following the guidance and anticipation of SEEDA funding.
- SEEDA states that it will invest in training partnerships and their staff, but the extent and potential impact or cost of this activity is not clear<sup>8</sup>.

1.40 While SEEDA is providing specific guidance for AIF partnerships, anticipating SEEDA's future actions can have its own impact and there are financial implications to a number of stakeholders including SEEDA relating to the structures created through AIF policy.

**Discussion Point 3:** What level of staff and financial resources both in and out of SEEDA are appropriate to develop, train staff and administer AIFs?

*Involvement of key partners*

1.41 The pattern of board and partner membership varies across the AIFs. Most partnerships have some of the following representatives formally represented on the board:

- AIFs can have principal partners from relevant LSPs, local authorities and SEEDA and GOSE. Often there are a variety of levels of local government, from District to County. AIFs may also have participation from community and business representatives.
- Some AIFs have a very wide range of public sector partners including Primary Care Trusts, Learning and Skills Council, Jobcentre Plus, housing forums, rural communities and the Police service.
- Other AIFs have yet to fully engage all potential public service providers.

1.42 The complex pattern of partnerships is confusing to some people. A discrete number of enthusiastic and senior people from service providers who cover several AIFs are not sure about how to engage with AIFs. There is also confusion about the first point of contact, especially where service areas cover several AIFs. While AIFs have been active in contacting potential partners, it is not clear how potential partners can engage operationally with AIFs.

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<sup>8</sup> SEEDA documentation provided with *AIFs in Priority Regeneration Areas Guidance for Partnerships 2004*

**Discussion point 4:** There are benefits from providing maps that sets out more clearly how AIFs and LSPs relate, and guidance for potential public sector partners on how to engage. This can have the effect of empowering potential partners.

- 1.43 Some senior mainstream service providers do not enjoy the project-based discussions and the bidding culture that they have experienced in partnership working. In particular, some public service representatives are interested in using AIFs as a contracting body or to configure their existing expenditure. They already have resources, and are not interested in attending meetings to apply for new funding or discussing projects not relevant to them.
- 1.44 Some stakeholders also considered that AIFs could have too many council elected members on the Board, which was good for securing political agreements, but not necessarily the correct mix required to discuss public services or to generate new ideas or new thinking.
- 1.45 The level of senior public service involvement in partnerships can sometimes be contingent on the enthusiasm and interest of just a few individuals, particularly as their service remit can cover many AIFs. This includes staff from both SEEDA and mainstream service providers. Individuals, as well as wider partnership efficacy may influence the success of AIFs. SEEDA have a role to play in facilitating the partnership development process.

**Discussion Point 5:** How can partnerships be configured to make them attractive to all mainstream providers and 'business focussed' in relation to discussing mainstream services or investments?

#### *The pilot AIFs*

- 1.46 As described above, the AIF approach was tested through a Pilot phase. SEEDA's Review of the AIF Pilot Phase<sup>9</sup> in July 2002 built upon the effects of political developments and cited several operational lessons that needed to be taken from the pilot phase. In summary, the review states that:
- the pilot phase has demonstrated a purposeful methodology which can be adapted to different geographical scales, processes and partnership structures;

<sup>9</sup> [http://www.seeda.co.uk/Publications/docs/AIF/Review\\_of\\_Pilots\\_09-06-02\\_AIF.doc](http://www.seeda.co.uk/Publications/docs/AIF/Review_of_Pilots_09-06-02_AIF.doc)

- many AIFs have focused on drawing together strategic strategies and supporting baseline information as a necessary prerequisite to detailed joint investment analysis and planning;
- the experience of the pilots is that the needs and interests of individual organisations as actual potential stakeholders to the AIF need to be considered as part of the project development process;
- if the AIF is to function as a tool for regularly reviewing investment priorities within an overall partnership strategy and structure, then there need to be clear linkages with the LSP and community planning process, especially as the tasks that LSPs are expected to carry out are so similar to the AIF model;
- the geographical scale of AIF coverage raises questions about the extent to which they can be both outward looking, identifying investment to achieve regional and sub-regional goals, and inward looking to address the economic exclusion agenda of particular deprived wards;
- perhaps the biggest challenge is to maintain the comprehensiveness of the approach and avoid the AIF being a ‘SEEDA’ document and a simple surrogate for the bidding approaches of the SRB programme.

1.47 All of these points are highly relevant to the current role out of all AIFs and could be used to avoid potential pitfalls.

**Discussion Point 6:** Were lessons learnt from the AIF Pilot Review, what lessons could be incorporated into current AIF policy?

#### *Strategic benefits of AIFs*

- 1.48 While much of this paper has attempted to expose the logic of AIFs to scrutiny, the following paragraphs looks to some of the emerging strategic impacts of AIFs. There are some emerging benefits at a strategic level already attributable to AIFs. These include; empowered lobbying, influencing other agencies planning frameworks (LSCs and potentially Business Link) and ability to coordinate new partnerships between coastal local authorities that historically are competitive. In some areas, the AIF are also generating a new forum to discuss what is best for the area.
- 1.49 An explanation provided for these strategic impacts was that AIFs are often taken seriously in Government and by local partners. Local partners respect the AIF or can use it to add clout to their lobbying capabilities. SEEDA may not always be aware of the power and influence the SEEDA brand can add to initiatives. SEEDA needs to nurture the level

of respect that it has secured so far with AIFs. Similar functions in some other regions in the Country, such as Regeneration Zones in the West Midlands may not have secured the same level of respect.

**Discussion point 7:** There are emerging benefits of AIFs in terms of identifying priorities, new partnerships and some strategic investment decisions. There is clearly potential for such benefits to develop further. How can SEEDA best foster genuine strategic focus and further encourage the process of AIF development? One tactic would be to sell and promote AIFs at a higher level across different government departments.

*Other strategic issues - closure of SRB as a mainstream programme*

- 1.50 SEEDA has inherited the early rounds of SRB spending and was responsible for determining the final two rounds of SRB allocations. SEEDA now have the very difficult task of re-configuring or closing a popular regeneration programme (SRB); there will invariably be winners and losers.
- 1.51 SEEDA is therefore closely involved in developing exit strategies for SRB partnerships. Consultations with SRB programmes both in and out of AIF areas suggests that SEEDA has also provided much help and assistance with SRB partnerships to develop exit strategies and to refine SEEDA's own policies about legal structures. There also exists technical information to help with transfer of accountable body roles<sup>10</sup>. SEEDA is also prepared to help supply capital legacies that can underpin sustainability. It is worth noting that there is a difference in impact upon the SRB boards and administrations compared to the many projects that were once funded.
- 1.52 Whilst the SRB remains a part of the Agency's integrated funding stream, there is a strongly articulated view within the Agency that AIFs, while appearing to be within the same Devolved funding stream, are not a replacement for SRB. However, we found a variety of views, even within SEEDA, as to the continuity of SRB:
- Each round of SRB was explicitly time-limited and there was high expectations of exit strategies from each partnership;
  - There was quite a strong assumption that if any continuity for SRB was justified, revenue funding was likely to be absorbed within the priorities of mainstream funding agencies, notably local government, the LSC, PCTs and Jobcentre Plus;

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<sup>10</sup> Supporting SEEDA documentation provided with *AIFs in Priority Regeneration Areas Guidance for Partnerships 2004*

- The LSPs have a role in regards to mainstreaming, although there is recognition that boundaries between SRB, AIF and LSPs have become more confused and complicated;
- In places SRB funding is being used to help set up AIF preparation activities, suggesting that SEEDA is approving clear links between the two.
- There is also an inertia generated through the development of SRB-type programmes over the years which generates future expectations of funding on similar terms, despite SEEDA policy to the contrary.

**Discussion point 8:** SEEDA argues that AIFs are not a default replacement for SRB, however the perception amongst many is that this may in part be the case. In addition, views even with SEEDA can vary as to SEEDA's position regarding continuity funding for SRB.

### **The distribution of benefits from AIF policy and Devolved funding**

- 1.53 Throughout the development of AIFs there has been recognition at a policy level that AIFs cover business, public and community investment. However, rightly or wrongly, there is a widespread perception outside of SEEDA that AIFs are more balanced in favour of economic regeneration than community. For example, in one particular area it is reported that the AIF is seen as an 'arm' of the LSP delivering the LSP's economic objectives. For a second AIF consultations suggest that in the short to medium term at least, it was unlikely to move from being a "hard economic driven" framework to one which incorporates the softer less tangible impacts of the community and voluntary sector. The true value of the AIF in another area was reported to be its influence over central Government infrastructure policy. A review of current documentation for all AIFs suggests that community priorities are clearly not lost from AIFs, but they seem proportionately less to the combined weight of economic, and skills and competitiveness orientated priorities. Ultimately, SEEDA is an organisation delivering economic objectives and AIFs have tended to reflect this.
- 1.54 In part the perception of AIFs and their role relates to output information SEEDA require to help meet Tier 3 outputs. These relate more to business, skill and development than community. As partnerships and administrations are competing with each other to secure SEEDA's interest and confidence, they naturally tend towards strategies that try to guess SEEDA's underlying administrative targets.

- 1.55 It is also the case that the process of devolving funding provides local stakeholders with the opportunity, if they so wish, to target economic priorities over community. This may be a quid pro quo for devolving decision making; however, as many areas covered by AIFs are suffering economic inequalities, it is not surprising that these have arisen as top priorities.

*Who loses and who wins?*

- 1.56 Under the current arrangement, it is likely that organisations and capacity structured to deliver jobs and formal training qualification in areas set for AIFs will benefit from the approach used to deliver SEEDA Devolved funding. This is because they can most easily demonstrate that they meet SEEDA's Tier 3 targets and are in areas that qualify for Devolved funding.
- 1.57 Local organisations that focus more on the community and voluntary sector (CVS) as part of promoting well being and capacity building will tend to find it more difficult to secure funding as they can less easily meet SEEDA's targets. In effect, the RDA has target requirements for economic outputs and outcomes that do not easily translate into a significant amount of direct investment in social and community services.
- 1.58 SEEDA would rightly argue that both LSPs and local authorities now have significantly more mainstream resources than has historically been the case, and also more direct obligations to support their communities. As a result through AIFs the CVS should still be able to secure the funding it requires, if this is justified. However, it is understandable that the CVS gets mixed messages about their role in AIFs. The change from SRB to AIF is likely to impact upon the CVS in a number of ways:
- Firstly, if the need for all SEEDA projects to meet the Tier 3 objectives is equally applied across all projects and budget streams, the CVS will find it difficult to secure funding unless their projects re-align to the new agenda. Thus there may be some changes in the structure of capacity that has been built under SRB accordingly.
  - Secondly, even if SEEDA were to become far more flexible in the use of Tier 3 indicators across different funding streams, the sector may still lose as the total budget for devolved funding, at around £36m per year is still less than the historic peak of SRB funding, potentially 50% less. They are unlikely to secure significant new resources from the remainder of SEEDA's Single Pot.
  - Thirdly, the sector will lose out as the expected commitment to mainstream community development activities through public agencies and LSPs has not been fully met.

- Finally, a wider range of training, skills, community and voluntary sector outside of AIF areas might lose out proportionately more as they have less or no access to SEEDA's Devolved budget (not including additional support from mainstream services). Although with significant subsidies towards training at present from some mainstream services (LSC) existing capacity or organisations relating to skills and training may not in practice find disbenefits.

1.59 It is not known what proportion of SRB activities have actually been taken up by mainstream services. As a result, it is not possible to quantify the extent to which the CVS may have lost out.

**Discussion point 9:** Is the current balance of community vs. economic development in relation to AIFs the correct balance. Furthermore, should all of SEEDA's expenditure be required to contribute equally to Tier 3 outputs, or should there be substantial flexibility between funding streams to focus on different areas of activity such as providing for community-related activity?

*SRB administration and partnerships*

1.60 There are a number of direct impacts of the winding down of SRB and AIF policy upon SRB administrations, management staff and related activities:

- The best of the SRBs have adopted effective exit strategies and in some cases, the AIF partnerships, having identified area priorities afresh have concluded that SRB activity has been successful or have come to question the relevance of some legacy activity.
- Some SRB administrations are evolving into AIF administrations, naturally downsizing, merging with other SRBs or developed new accountable body roles.
- The potential loss of SRB resources may affect SRB programme management and administration in different ways to those people it employed through its projects. The projects that it supported may end and people may lose their jobs. In some areas there is "panic" and confusion about the loss of SRB.

1.61 By stating that these new arrangements will focus on priority areas implies that SEEDA will become less focused on areas that lie outside these designated areas. The priority areas tend to cover the geographically coastal areas of the South East. This leaves areas such as Oxfordshire, Buckinghamshire, Milton Keynes and Berkshire. However, some SRB management and administration in these areas is reacting to the changing agenda, if not being highly proactive in some areas. Informal AIFs are forming, as partnerships

perceive there may still be an opportunity to secure additional SEEDA funding or would like the status:

- In places outside AIFs some SRB partnerships are reconfiguring or absorbing smaller SRBs to develop more AIF like structures as part of exit strategies. As SEEDA has separate obligations to support SRB exit strategies, it is difficult for them not to support more informal AIFs.
- The “mini-AIF” in Thames Valley (Slough, Reading and Wycombe) – is described as a successful example of collaboration and to delivering shared goals rather than being stimulated by the need to spend earmarked funds. There is also an emerging AIF-like structure developing in Oxford that covers 3 historic SRB areas.
- The West Kent AIF is also informal, and does not have a formal devolved budget, but has similarly been generated through local partners’ interest.

**Discussion Point 10:** The approach towards Investment Frameworks has generated a number of “unofficial” AIFs that do not have devolved SEEDA funding. Should there be policy guidance for these? Should they be incorporated into any future evaluation of AIFs?

### **Role of the community and voluntary sector**

1.62 The win or loose arguments developed above do not necessarily explain the wider context relating to the CVS sector and AIFs. In particular, Government policy is increasingly that the CVS has a key role to play in influencing, shaping and delivering mainstream services:

- The Government recognises that the CVS has an important role to play in delivering public services. In 1998, the Home Office published *The Compact: Getting it right Together*, which states that ‘This Compact is aimed at creating a new approach to partnership between Government and the voluntary and community sector’.
- As part of HM Treasury Spending Reviews (2002 to 2004) the Government has raised the profile of the role of the CVS in influencing, shaping and delivering mainstream services.
- The influential Active Communities Unit and the Compact Working Group are responsible for working at a regional and local level to engage local bodies in local Compacts.
- A recent Home Office and the Office of Government Commerce policy document “Think Smart – Think Voluntary Sector” (2004) aims to create an awareness of the

value which the CVS can bring to the delivery of services, the barriers they face in securing contracts and the practical things which can be done to help.

- 1.63 SEEDA's 2002 RES, states that: "the unique role that the community and voluntary sector (CVS) can play in the development of the South East will be recognised and supported, and a regional compact will be concluded with the sector". Some in the CVS argue that guidelines such as transparency and consultation set out by the SEEDA's Compact are being violated by AIFs and their poor engagement with the CVS. One of the consequences of this was believed to have been the lack of AIF recognition of some of the key government policies regarding the CVS set out above.
- 1.64 Through consultation with senior CVS representatives it was also reported that the sector perceives the issues surrounding the development of AIFs, the wind down of the SRB Programme and the emerging Devolved programme and Single Pot as wholly interconnected. It was not assumed that AIFs would simply pick up SRB funded programmes post Round 6, more that through LSPs they saw AIFs as a platform from which they could integrate the CVS with the wider regional development process. However, some from the CVS sector were informed that in response to enquiries regarding Devolved funds, SEEDA has been informing organisations to contact their AIF community representative - to find that in the majority of cases one did not exist.
- 1.65 There are also further funding concerns held by the CVS. Firstly, other major CVS funders such as the Lottery Fund are reportedly considering rolling out their funding through the AIFs. Given the economic steer of the AIFs this has raised understandable concern regarding the future stream of Lottery Funding for CVS priorities. Secondly, with the redistribution of Countryside Agency funds to SEEDA, DEFRA and GOs, there is a concern that with respect to SEEDA, these funds may be harder to secure due to the CVS's misalignment with tier three targets.
- 1.66 In response SEEDA agree that limited funds have meant that the organisation's remit has had to focus away from grant funding and towards facilitating and supporting change. Given that economic expertise is SEEDA's strength, this has to form the core of its agenda. It is recognised that this is very difficult for some, but it is also felt that it is a gap in ODPM funding that is fuelling disquiet within the community and voluntary sector and that it is not necessarily SEEDA's job to fill it.

**Discussion point 11:** In view of government policy to increase the role of the CVS in influencing, shaping and delivering mainstream services, what role should the CVS play in AIFs?

- 1.67 An answer to the above question could be that it should be for LSPs to configure how CVS and mainstream services are delivered, rather than SEEDA to solve the issue through AIF policy. While the theory and logic of AIFs and LSPs is rational, there is still some confusion between AIF policy and LSP policy for mainstream service providers. Both AIFs and LSPs have a central rationale to align mainstream programme expenditure. Where as AIFs provide new local area delivery mechanisms, LSPs were originally supposed to help rationalise or coordinate other partnerships, including SRB. Analysis in the next section to this report also reflects that some AIF areas contain several LSPs, and some LSPs can contain several AIFs. Arguably, LSPs have come to reflect strategic needs of local authorities, whereas AIFs are more clearly aligned to deliver SEEDA's objectives. The policy environment for LSPs might also change in the future and if LSPs revisited their terms of reference, this could impact upon AIFs.

**Discussion Point 12:** Is the current and future framework of AIF and LSP partnerships the best arrangement to optimise the partnership of wider mainstream funding programmes? Furthermore, perhaps AIFs should more formally develop local area economic development strategies to make them clearly distinct from LSPs?

### **Future evaluation, value for money and opportunity**

- 1.68 Part of the reason that AIFs are a favoured mechanism for SEEDA is that it has significantly less resources than some other RDAs. Other cash richer RDAs have a wider potential for developing more direct models of intervention. It is in this context that AIFs are designed to deliver value for money through aligning existing resources, rather than deploying new.
- 1.69 Strategically, it is very cost-effective. This is because AIFs are effectively a framework to utilise the expenditure of local public services, for wider regional economic development purposes by SEEDA. The overarching benefit is that SEEDA aims to use a wider pool of potential regional public sector resources to achieve regional objectives. It does not rely on direct SEEDA budgets.
- 1.70 In the longer term AIFs will be judged by the extent to which the less value for money activities related to programme and devolved funding administration are recouped through far more cost effective wider benefits delivered through mainstream programmes. However, the experience of Regeneration Zones in the West Midlands suggests that this is quite difficult to deliver in practice.

## 2 Annex: Other regional comparators

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- 2.1 Area Investment Frameworks (AIFs) are not a tried and tested model that are delivered elsewhere. It is a concept developed in the South East and which remains relatively unique to the region. This Annex provides some background information and analysis describing activities in some other English regions that have some similar characteristics.

### *Regeneration Zones in the West Midlands*

- 2.2 Regeneration Zones (RZs) have begun to resemble some of the characteristics of AIFs. The Zones were originally designed by AWM and regional partners as areas through which the bulk of AWM resources would be invested. They were areas in which the majority of the region's unemployed were resident and contained many of the region's derelict land and poorly performing businesses. The boundaries were also reasonably well aligned with the areas selected to qualify for receipt of the region's European structural funds. In addition to the Zones, the West Midlands Economic Strategy identified two other funding vehicles for AWM and its partners – a programme of priority industry sectors and a further geographical programme intended to foster technology and knowledge-based industries within 3 growth corridors radiating from the West Midlands conurbation.
- 2.3 The Zones are local partnerships which, until now, have received a substantial proportion of AWM funding which has been matched by European funds and the discretionary funding streams of other organisations. The Zones concentrate on geographical regeneration areas mainly within the West Midlands conurbation with one large Zone covering the rural west of the region. The function of the RZs is increasingly seen as coordinating regeneration projects and matching different lines of public and private investment.
- 2.4 There is concern in some areas about how effective these have been and whether the expenditure truly fits AWM's objectives. It is not clear how truly effective RZs have been in securing AWM's wider objectives. A reason for this may relate to their spatial fit. A key difference is that while AIFs would appear to be derived from genuine areas with clear economic footprints, the logic of the RZ fit is less obvious and this may cause continued difficulties.
- 2.5 The latest guidance to Zones announces a change in approach by AWM caused by public funding becoming “increasingly constrained”. The rapid growth in AWM funding seen in previous years will not be repeated whilst the substantial Objective 2 programme for the

region will end in 2006. The approach taken in the next round of Zone Implementation planning therefore has to “secure funds from sources other than Advantage West Midlands” and demonstrate how Zone priorities and objectives “build on mainstream delivery.”

#### *London Development Agency*

- 2.6 The LDA has significantly changed its procurement and has moved away from an area investment strategy towards sub-regional economic planning – there being 5 sub-regions within Greater London. The first RES identified 9 areas of investment priority but the LDA has now effectively abandoned specific programmes for these areas. There two critical weaknesses to the strategy: firstly, the areas did not fully correspond with the extent of Thames Gateway (and the Government’s ambition to create a URC for Thames Gateway) whilst it demonstrated only limited linkages with the London – Stansted – Cambridge Sustainable Communities corridor; secondly, the areas had very poor correspondence with the LDA’s sectoral priorities, with inward investment, city promotion or with the learning, skills and social inclusion imperatives of the Mayor’s economic strategy.

#### *Urban Regeneration Companies*

- 2.7 AIFs in the South East also share some characteristics of the Urban Regeneration Companies model (URC). There are currently 16 URCs in England which are established as private legal entities with Boards drawn from the relevant local authority, employers, amenity groups, community representatives play and the relevant RDA. They mainly seek to achieve a physical transformation of areas that have significant concentrations of dereliction or under-used land and property – by implementing a shared vision that might not be achievable through individual ad hoc decisions. Whilst interventions are based upon a comprehensive framework for the area, these concentrate in particular on physical development.
- 2.8 Like the AIF partnerships, URCs co-ordinate investment plans from both the public and the private sectors, and attract new investment through the “purposeful and imaginative promotion and regeneration of their areas.” But unlike AIFs, each URC concentrates on a relatively small development area within a single local authority area. This is usually of sufficient size to be coherent and to have significant wider impacts but nonetheless, is sufficiently focused to ensure that resources are not spread too thinly.
- 2.9 There is no standard model for a URC but they share a number of characteristics and successful features. Each URC is essentially creating a favourable climate for private

sector investment by providing a coherent and predictable planning environment, creating the perception of good area management, ensuring the commitment of key decision takers and stimulating publicly funded initial actions to set the conditions for growth.

- 2.10 Successful operation relies upon the active involvement of local authorities but the URC itself clearly operates at arm's length in order to fully engage the private sector and provide a concentrated focus on development and to offer credibility to the private sector. The role of the URC is primarily to realise the latent development and economic opportunities of an area in a comprehensive way and to raise investor confidence to the point where its physical regeneration becomes self-sustaining. But the URC model is less relevant for boosting other factors of productivity such as skills, innovation or SME development and there is only limited evidence of the URC approach working in more rural areas.
- 2.11 Like AIFs, each URC is expected to add value through improving co-operation, co-ordination and integration. Each is expected to mobilise strong commitment and significant inputs from the partners, effect good stakeholder involvement and local ownership of the strategy but also to have sufficient flexibility to tailor approaches to local circumstances.
- 2.12 Unlike AIFs in the South East, most of the URCs in England have the very close involvement of English Partnerships – as a funder and usually with a seat on the URC Board.
- 2.13 Such approaches are less easy to deploy in the South East where the pattern of urban areas has produced many towns and suburbs with only limited cases where there is large scale redevelopable land and where there is evident difficulty in mobilising private investor capacity. The URC approach is being used in the Thames Gateway where these conditions exist and URC-like activity has been evident in Hastings and Bexhill AIF (Hastings and Bexhill Task Force) and may be developed further in North Kent AIF through the Thames Gateway activities, formalised in regional planning guidance.