karbon
homes

The Case for Place

Creating prospearity through the economics of attraction

A report by Create Streets Foundation for Karbon Homes
March 2023

Researcher team:
Rose Grayston, Toby Lloyd

Contents

A. Introduction 4

B. The value of regenerating left behind neighbourhoods 8

Left behind places 8

First, do no harm? 8

Create Streets' approach to the economics of attraction 9

Place-based regeneration 10

Social infrastructure 11

Anchor institutions 12

C. Approaches to regeneration 14

Managed decline 14

Life support 15

Place improvement 16

Transformation 16

Growth 17

Selecting the right model 19

D. Why place quality matters and how to approach it 23

Principles of effective place-based improvement 23

E. The current broken framework for public investment 27

The role of Homes England 27

The impact of buy-to-let 27

The impact of Help to Buy 28

Land value capture 29

The impact of national policy 31

F. Barriers to rebalancing government investment towards less economically productive places 34
The Green Book and Benefit Cost Ratios 34
Evidence gaps in BCRs 37
Social value measurements 37
Centralised decision making 38
Imbalances in local authority resources for competitive bidding 39
The differential impact of funding restrictions in different places 40
Mutually reinforcing appraisal guidance from different departments 41
Assessing costs and benefits across departments 41
Unfinished business 42

G. Challenging the broken investment framework: potential strategies 44
Fiscal and political context 44
Social, Impact and ESG Investing 46
Place-Based Impact Investing 47
Strategies for changing the funding framework 48
Key recommendations 52

Appendix 1: Full check list of potentially impactful place improvements at three scales 55
Appendix 2: Summary of intervention strategies 58
Summary of the research associating specific design elements with improved wellbeing, public and social health outcomes

A. Introduction

In the wake of the 2016 vote to leave the European Union, the stark economic imbalances between the different nations and regions of the UK moved to political centre-stage, with the Conservatives pledging action to level up the country in their 2019 General Election manifesto. Spatial inequalities are a concern in many countries, but the sheer extent of the UK's problem is striking in international terms. Income per head in the UK's richest region (London) is 150 per cent larger than in the poorest (the North East). This is almost double the equivalent gap in France and three-quarters larger than in Germany.[1] However the levelling up agenda evolves in the rapidly changing political and economic context, the UK's spatial inequalities are likely to remain high on the political agenda in future. This report argues for concerted action to address these inequalities, drawing on Karbon Homes' experience as a social landlord with almost 30,000 homes across the North East and Yorkshire, including some of the country's most deprived neighbourhoods.

As a growing body of evidence makes clear, the social value of long-term investment in social housing, regeneration and placemaking is immense.[2] However, the narrower economic rationale for levelling up is also strong. Recent events – from the Covid-19 pandemic to the consequences of Russia's war in Ukraine and the international response – have hit the UK's poorest cities, towns and villages harder than more prosperous places. Research from the Centre for Cities published in July 2022 suggests that inflation is up to 30 per cent higher in cities in the north of England than it is elsewhere in England and Wales, driven by the greater impact of rising fuel costs in places where average incomes are lower, where homes are older and less energy efficient, and where more households rely on cars to get around rather than public and active transport.[3] This highlights an important insight for the Government's approach to levelling up and its response to mounting cost of living pressures: global events and macroeconomic forces interact with neighbourhood-level place factors to determine different households' experiences.

Since 2019, the Government has announced several funding pots to support local economic growth and address levelling up priorities, allocated according to a range of different criteria. These include the £3.2bn Towns Fund (in England only), the £4.8bn Levelling Up Fund, the one-year £220m Community Renewal Fund and more. This varied approach to financing levelling up is both a demonstration of the political will behind the agenda and an indication of the challenges involved in shifting existing government funding streams towards less prosperous places. Alongside new funding, in September 2021, the government created the Department for Levelling Up, Housing and Communities from the former Ministry for Housing, Communities and Local Government. This was followed by the publication of the Levelling Up White Paper in February 2022, setting out the government's vision and strategy. In May 2022, the Levelling Up and Regeneration Bill began its journey through parliament – a journey which remains incomplete at the date of publication.

Yet the problem of the UK's geographically lop-sided economy is a stubborn one. Despite a long list of new funding pots and initiatives, Boris Johnson's Government, like those before it, struggled to make much impact on the total levels of investment – whether public, private or third sector – drawn into left behind places where productivity and economic growth have been most sluggish. In line with this broader trend, investment in housing and placemaking remains adamantly skewed towards places with high land values and high house prices, and away from left behind places with lower demand for land and housing.

Just as spending decisions affecting the whole country have been made in the image of southern England, so have many policy design decisions in England's strikingly centralised decision-making structure. This has produced a range of perverse incentives and unintended consequences for the buildings and spaces in which people live, work and spend time in less prosperous places. From the design of Help to Buy to the Affordable Homes Programme's net additionality rules, central government spending and policy decisions over recent years have tended to make it harder to deliver good placemaking in left behind places where productivity is lower. Worse, they have often actively incentivised new developments with poor placemaking, thereby drawing investment away from existing buildings and existing places. Local authorities, housing associations and other local anchor institutions have been forced to find creative ways to mitigate the impacts of centrally imposed policies which were not designed with sensitivity to local conditions.

While political currents around regeneration and housing investment have ebbed and flowed, developments in private investment finance have been moving steadily in the direction of sustainability and social responsibility. The impact investing movement, which seeks to deploy private finance for measurable social and environmental gains, as well as profit, was estimated to have reached $715 billion globally by 2019.[4] Its rapid growth is partly a result of improved metrics and reporting frameworks that allow investors to monitor and compare the social and environmental impact of their investment. In turn, the growth of this pool of capital seeking 'triple bottom line' investment opportunities is prompting more and better evidence gathering. As financial and fiscal conditions tighten there may be significant opportunities to direct this capital towards place-based investment in regeneration and social housing – if housing associations and other regeneration agencies can align their systems for reporting social value with those of investors, in parallel with attracting more appropriate support from central government.

This report

This report, produced by Create Streets Foundation for Karbon Homes, will explore how and why England has such entrenched patterns of economic imbalance – despite considerable political will for change from successive governments – and what government should do to address spatial inequalities in investment in housing and placemaking. The scope of this report is restricted to England, as most relevant funding and policy decisions are devolved matters. We have used Karbon's data and experiences to inform and illustrate the research, so our primary evidence is drawn from the North East, but the lessons are relevant to levelling up efforts throughout the country. The North East has the highest concentration of left behind places[5] and housing markets characterised by low demand. As this report will discuss, these characteristics also make the North East one of the places where the policy and funding barriers to effective housing and placemaking are greatest.

The structure of this report is as follows:

- ***B. The value of regenerating left behind neighbourhoods:*** We first set out the broad case for why central government should support and fund interventions to regenerate deprived neighbourhoods which have been left behind by recent growth patterns.
- ***C. Approaches to regeneration:*** We then explore the different models of regeneration which have been used in different parts of the country, and the conditions needed for different approaches to succeed in the particular context of left behind places.
- ***D. Why place quality matters and how to approach it:*** Next, we summarise findings from Create Streets' extensive work to understand and improve place quality in ways which drive local prosperity in communities across the country.
- ***E. The current broken framework for public investment:*** We then explain the need for a new approach from central government towards funding and policy decisions, exploring why investment in housing and placemaking in left behind places is currently insufficient. We outline some of the many economic and social problems this produces, and why the market alone cannot fix these problems without improved government intervention.
- ***F. Barriers to rebalancing government investment towards less economically productive places:*** We then consider the current barriers to using public funding and policy to create the conditions for increased investment in housing and placemaking in left behind places, with a focus on the role of HM Treasury's Green Book.
- ***G. Challenging the broken investment framework potential strategies:*** Finally, we make recommendations for the government to take forward to create the conditions for increased investment in left behind places, enabling prosperity-enhancing renewal and regeneration of the homes, streets and town centres which most urgently need levelling up.

This initial focus on recommendations for central government should by no means suggest that Westminster and Whitehall alone can extend prosperity to England's left behind places. Yet central government acts as either a barrier or an enabler to local government, civic organisations, businesses and the market functioning together to build the asset base of a deprived place and the skills of its residents and workers. Our recommendations aim to enhance central government's role as an enabler of local action, and to reduce its role as a barrier.

---

1 Create Streets Foundation (2021) No Place Left Behind: The Commission into Prosperity and Placemaking, p.17

2 The Hyde Group (2020), The value of a social tenancy: a socio-economic evaluation based on Hyde's housing portfolio; Boys Smith, N. (2016), Heart in the Right Street, Create Streets; Boys Smith, N., Venerandi, A, Toms, K. (2017), Beyond Location, Create Streets; Iovene, M., Boys Smith, N., Seresinhe, C.I., (2019), Of Streets and Squares, Create Streets.

3 Rodriques, G., Quinio, V. (2022), Out of pocket: The places at the sharp end of the cost of living crisis, Centre for Cities, pp.7-10

4 Global Impact Investing Network (2020) 2020 Annual Impact Investor Survey

5 Local Trust (2019) Left behind? Understanding communities on the edge, p.14

B. The value of regenerating left behind neighbourhoods

Left behind places

Communities experiencing slow long-term economic growth and depressed house prices – so-called "left behind places" – can be found in every region of the UK, with higher concentrations in the north of England and especially in the North East. All neighbourhoods need continuous investment in housing and placemaking to meet a wide range of economic, environmental, social, health and well-being objectives. This flows naturally from the private sector in prosperous places, though normally with some local public or communal control via standards or regulation. But in some parts of the country, private sector investment has been largely absent, making shortages of public investment all the more keenly felt. In the absence of sufficient investment in both new and existing buildings and spaces, the physical fabric of places rapidly starts to decline: roads pothole, benches break, buildings are left derelict, street trees die. The social fabric similarly decays in the absence of continual investment: public services retrench, the civic institutions and private hospitality sector business where communities meet struggle to stay open, traditional high streets lose footfall, community organisations close down.

Such neighbourhoods cannot renew themselves to respond to social and economic changes, leading to a growing mismatch between the homes, other buildings and spaces that are available and what people need to thrive. Rich places get better. Poorer places risk stagnation. Ageing housing stock cannot be improved or replaced, leading to poor living conditions, worse health outcomes, poor energy efficiency, and ultimately to higher living costs for individual households and increased demand for healthcare and other public services.[6] Heritage buildings on prominent streets fall into disrepair and disuse, becoming painful symbols of neglect to local people and causing blight to the surrounding area in the form of increased crime and antisocial behaviour, and lower land values.[7] Some of those with the financial means to move away do so, weakening community ties and sometimes removing vital skills from the local economy. In short, a vicious spiral of neighbourhood decline has started, which the private sector alone is normally unable to reverse: the risks are too high, the investment required too great and the returns too improbable. Concerted action from government is needed to break the vicious spiral of neighbourhood decline and to kick-start a virtuous circle of regenerative change.

First, do no harm?

Sadly, and despite the very best of intentions, many 20th century 'improvements' to historic towns and places not only failed to initiate positive change, but they also actively made declining places worse and stunted the potential for residents and workers to lead happy, healthy and well-connected lives. Traditional streets were up-ended and those living in homes with gardens decanted into flats with underused communal green space. Fast dual carriageways were driven through poorer neighbourhoods, bifurcating them from town centres, parks or economic opportunities. It is notable that even today,

neighbourhoods with low Index of Multiple Deprivation (IMD) scores are typified by non-traditional street patterns with high population densities, but also high proportions of unbuilt land[8] and, frequently, dual carriageways separating them from local centres.[9]

Create Streets' approach to the economics of attraction

In considering the number of ways that a neighbourhood can struggle and how to improve it, Create Streets has found useful the concept of a virtuous circle of regenerative change. In addition to the work of the No Place Left Behind Commission, Create Streets is working on regeneration projects in England and Scotland, and has led research into the empirical relationships between place and wellbeing, value and popularity. From this we have created a framework for thinking about how to increase the local 'economics of attraction', a phrase coined by journalist Martin Sandbu, by enabling a virtuous circle of change. This framework has five key elements.

1. ***Enable change, don't try to do everything yourself.*** Councils and major landowners should not think of 'regeneration' and 'place-making' as something that they do, but rather as something that they enable. The most profound and long-lasting improvements to a place have many authors, not one author.
2. ***Seek to create a virtuous circle of change.*** All aspects of a place's economic and human prosperity are inter-connected. Any one key action alone is highly unlikely to overcome deep-seated challenges. Instead, we seek to ask: what do we need to do to encourage many actions? Where is the best place to start? What actions will increase a place's 'economics of attraction', build confidence, encourage footfall, de-risk and encourage investment, support the wellbeing of existing residents and encourage new residents? What are the most important 'anchor institutions'? Though the sequencing and relative focus of actions will vary from place to place, a virtuous circle of regenerative change is likely to include: good quality and affordable homes; access to good jobs; and green and healthy places to live.
3. ***Set a vision which recognises that place is emotional as well as practical.*** This will change from place to place and will encourage a virtuous circle of regenerative change to improve the liveability of a place and the prosperity of existing and new residents. Be clear about what you are trying to improve and when. The list is likely to include:

- Improving residents' prosperity (through increased income or reduced living costs)
- Improving residents' wellbeing and health
- Ensuring existing residents are able to benefit from improvements
- Increasing the ease with which residents can lead sustainable and active lives ('is it easy and pleasant to walk to the shops?')
- Making it easier for residents to feel and express their frustrated 'pride in place'
- Increasing accessibility of income via new jobs or improved transport ('would you catch the bus without checking the timetable'?)

- Encouraging place-based investment
- Encouraging new residents
- Encouraging more visitors.

4. ***Prioritise and sequence potential ways to get the 'virtuous circle of regenerative change' turning.*** Different actions will be variably necessary in different places.

5. ***Be opportunistic within this framework.*** Within this programme for what you want to do and how you wish to encourage change, you will need to be very flexible to take advantage of available funding or respond to residents' enthusiasms and changing circumstances.

Place-based regeneration

The levelling up agenda is the latest in a long line of policy drives to address persistent economic imbalances between the different regions and neighbourhoods of the UK. Successive governments of all political stripes have adopted different frameworks, with varying levels of emphasis on people-centred or place-based approaches. Place-based strategies – sometimes known as Area Based Initiatives – have varied in the emphasis they have given to social and economic factors on the one hand, and design and placemaking factors on the other, and likewise to 'hard' regeneration (building new homes and transport infrastructure) and 'soft' regeneration (public service innovation and community capacity building). By far the most substantial Area Based Initiatives from recent decades were the Single Regeneration Budgets, which ran from 1994 to 2000, and the New Deal for Communities, which ran in 39 neighbourhoods from 1998-2011.

Robust evaluations of these programmes are often not available – with the exception of New Deal for Communities, which showed mixed results.[10] This should not be taken to suggest that place-based strategies are not effective or important for addressing persistent geographic economic imbalances. If we evaluated the efficacy of (much larger) people-centred funding streams – from housing benefits to health spending to the recent Household Support Fund – in addressing the economic imbalances between the different nations and regions of the UK, it is doubtful the picture presented would be rosier. Indeed, that is why the problems of spatial inequalities continue to get worse. A combination of approaches is needed, and no government has yet found the winning balance. This may be partly because the UK's approach to making public investment decisions is structurally biased against the 'place' side of the equation.

The ***Create Streets Foundation's No Place Left Behind Commission*** explored the role of neighbourhood-level interventions in stemming economic decline and fostering regeneration. The final report noted that the three largest items of government expenditure – welfare, health and education – are all place-blind forms of spending controlled directly by central government, with only minimal roles for regional and local authorities.[11] Place-based strategies have generally proved less popular with governments and have tended to be less long-lasting. This is partly because the

capital-intensive nature of infrastructure investment makes it prone to cuts in times of retrenchment. It is also because dominant economic orthodoxy suggests there is little policy can do to change fundamental shifts in economic geography, beyond connecting people to growing places.

"Perhaps clearing the litter off the streets or repurposing heritage buildings seem like too small interventions to make a dent in knotty, intractable problems of economic decline – or perhaps the highly centralised nature of the UK state means it simply struggles to engage with the fabric of local places effectively... But even if the sceptics are right, and place quality improvements do not generate measurable economic improvements in the short run, they still leave a positive, tangible legacy for that place, one that may generate all sorts of unforeseen benefits in the future." [12]

No Place Left Behind Commission

Social infrastructure

The Commission's report goes on to consider two examples of valued social and community infrastructure: the Piece Hall in Halifax, whose original objective was to boost the 18th century wool trade and which is now a thriving retail and arts venue; and Mowbray Park in Sunderland, which was originally created to fight the spread of cholera in the Victorian era, and is now the main green space in the centre of a city of 344,000 people. No one would now argue that these assets did not deserve the initial public investment used to deliver them on the grounds that they are not meeting their original objectives. As the report notes: "The investment in these high quality places has continually been repaid as the communities they serve have developed new uses to suit changing times."[13]

However, in many left behind places today such physical assets are either missing in action or they are in such poor condition that they are not well used by local people, and in some cases are now actively contributing to neighbourhood decline. Work from Frontier Economics estimates that poor social infrastructure in left behind places is associated with lower employment and skills outcomes.[14] Conversely, places with stronger social infrastructure are more resilient to economic shocks and do better at reducing economic deprivation.[15] For example, Hebden Bridge in West Yorkshire has a dense network of community businesses, supported by a long history of cooperative enterprise and a far-sighted council policy of backing and transferring assets to local community anchor organisations that strengthen social infrastructure. This culture and institutional ecosystem have helped the town recover from repeated floods and meant that the local economy in Hebden Bridge came through the lockdowns and disruptions of the Covid pandemic better than many similar places.[16]

Anchor institutions

Karbon Homes' concentrated geographical footprint has allowed it to develop its role as a local anchor institution, in part by leveraging place-blind, people-focused public spending (such as housing benefit) to fund placemaking improvements in line with customers' priorities. All of Karbon Homes' approximately 30,000 homes are in either the North East or Yorkshire and the Humber regions. Karbon owns around a quarter of all social homes in Durham County Council and Northumberland County Council areas. In some neighbourhoods, including Stanley and Byker, Karbon is the largest landlord and largest landowner locally. This role gives Karbon a clear view of the costs of poor placemaking and inadequate community infrastructure for local people's access to employment, social and other opportunities. Karbon sees the effects through its relationships with its customers and with other organisations working to improve life locally, as well as through extensive research and engagement with customers. This focus on particular neighbourhoods also means Karbon has enhanced opportunities to make a difference to local people's life chances by investing in better placemaking directly, and by being involved in efforts to draw in investment from public, private and charitable sources.

There are limits to the difference Karbon Homes can make while relying on its own revenue and reserves, given the sheer scale of investment needed across the places in which it manages and builds homes. The role of anchor institutions – whether a local authority, a housing association, a private employer, a university, an NHS body or another kind of organisation – is to act as a catalyst for further action and investment. This is principally about creating a framework in which it becomes lower risk, easier and more natural for others – as well as for anchor institutions themselves – to invest in a given place, emotionally, practically and financially. Above all, this is about reducing risk for third parties. Anchor institutions like Karbon can help drive regeneration in partnership with others, leveraging their local knowledge, their relationships and their motivation to see communities thrive.

For government, supporting anchor institutions and the social infrastructure they provide can make public investment deliver on national priorities while working for local people and making savings on national budgets. Yet the current framework for investment in left behind neighbourhoods acts as a barrier to achieving this vision, with many communities trapped in an expensive model of life support-style public investment. We explore this further below.

6 Rodgers S.E., Bailey R., Johnson R., Poortinga W., Smith R., Berridge D., et al. (2018) Health impact, and economic value, of meeting housing quality standards: a retrospective longitudinal data linkage study, Public Health Res, 6(8)

7 Aigwi, E., Egbelakin, T., Dizhur, D., Ingham, J. (2017) Why are older inner-city buildings vacant? Implications for town centre regeneration, Journal of Urban Regeneration and Renewal 11(1):44-59

8 Boys Smith, N., Venerandi, A., Toms, K. (2017), Beyond Location, Create Streets

9 Boys Smith, N. (2022), Restitching our social fabric, Create Streets p.5

10 Batty, E., Beatty, C., Foden, M., Lawless, P., Pearson, S., Wilson, I. (2010) The New Deal for Communities Experience: A final assessment; The New Deal for Communities Evaluation: Final report – Volume 7, Department for Communities and Local Government

11 Create Streets Foundation (2021) No Place Left Behind: The Commission into Prosperity and Placemaking p.23

12 Ibid., p.24

13 Ibid., p.24

14 Frontier Economics, (2021) 'The Impacts Of Social Infrastructure Investment'

15 Abrams, D. et al (2020), 'The Social Cohesion Investment: Local areas that invested in social cohesion programmes are faring better in the midst of the Covid-19 pandemic' The Cohesion and Integration Network; Krasniqi, F., Blagden, J., Tanner, W. (2021) 'Turnaround: How to regenerate Britain's less prosperous communities by helping them take back control,' Onward

16 Power to Change (2020), 'Saving the high street: the community takeover'

C. Approaches to regeneration

Although every place and every place strategy is different, five broad types of strategy can be discerned across the multiple waves of regeneration and development policy since the Second World War. We label these managed decline, life support, place improvement, transformation, and growth. In practice, of course, places may follow elements of more than one approach at any one time, may have only one realistic option or may have no real strategy at all, only a de facto response to events.

Managed decline

Though arguably not a strategy at all, this involves deliberate de-investment in places whose economic rationale has declined, as the logical alternative to attempting to regenerate struggling places. Its most extreme form, the complete abandonment of settlements, was common historically, but in modern times this has only happened in exceptional circumstances (like the flooding of valleys for new reservoirs) and in most of the country it has not been a politically credible option since the creation of a democratic welfare state. While managed decline is rarely an explicit strategy, County Durham's response to the closure of coal mines in the 1950s-70s was an exception. 121 pit villages whose mines had closed were designated as 'D villages' whose populations would be actively encouraged to leave by systematic non-investment. The objective was ultimately to demolish the villages entirely, making way for opencast mines that could extract what little coal remained unmined and so support pit shafts and the villages around them.

Only three or four of the D villages were ever actually demolished as many people chose not to leave, and many communities actively resisted their designation as being unworthy of existence.[17] But many still suffered the less dramatic fate of steady population loss, growing dilapidation and underinvestment in basic services as a result of this deliberate policy of decline, at least until it was formally abandoned in the late 1970s. The failure of the D village programme in the face of public opposition demonstrates that, whatever the economic rationale, closing places down is not a realistic option in a modern, democratic state.

This applies not just to former mining villages. Many former industrial towns and pre-containerisation ports experienced managed population decline for at least 30 years. Liverpool's population remains nearly 45 per cent down from its peak around 90 years ago.[18] In the 1980s, as the city's population was declining rapidly, the then Chancellor Sir Geoffrey Howe speculated in a private note to the Prime Minister about the potential of strategical withdrawal from the city: "It would be regrettable if some of the brighter ideas for renewing economic activity were to be sown only on relatively stony ground on the banks of the Mersey. I cannot help feeling that the option of managed decline is one which we should not forget altogether. We must not expand all our limited resources in trying to make water flow uphill."[19] However, Liverpool has since seen demographic revival, above all in its city centre, as a vibrant and affordable university city and tourist destination.[20]

Life support

As the D villages demonstrated, in practice declining places that attract little or no investment tend to remain populated and, therefore, subject to significant welfare and public service spending, even if they receive little capital investment. As these are typically places with high levels of economic deprivation, unemployment, disability and health problems,[21] this public spending can be very considerable in cash terms, even if it is unable to reverse the deeper drivers of decline. ONS data shows that for the bottom two fifths of households, cash benefits and benefits in kind (NHS, transport subsidies, education, childcare etc.) make up more of their real income than wages do.[22] This means not only that public spending on household benefits (in cash and in kind) forms a very significant part of the total income of struggling places, but also that efforts to tackle poverty by helping individuals to boost their earnings are unlikely to make a major difference on their own (especially as benefits are withdrawn at a steep rate as earnings increase).[23]

This revenue spending in these places is often supplemented by a patchy and constantly changing pattern of disjointed minor interventions to improve services or the built environment, usually driven by the availability of short-term grant pots for specific items that may or may not be badged as 'regeneration'. These interventions may be beneficial in themselves, but they are rarely sufficiently long-lasting or co-ordinated to make material improvements to the place as a whole – let alone to initiate positive cycles of regenerative investment. Local authority or charitable projects may do great work providing skills training for unemployed residents, or tackling specific social problems like obesity or ASB, but must do so in the face of strong economic headwinds that they are never sufficiently resourced to overcome.

Some such places become stuck in vicious spirals of decline, as better-off residents leave and more deprived households move in. Nationally-set welfare policies can entrench these spirals further. For example, housing benefit cuts and the household benefit cap have driven local authorities to move homeless households to the places with the lowest rents, which tend to be those with the fewest jobs, deepening place poverty and making it even harder for people to improve their economic situation through work.

Some piecemeal interventions can even be actively harmful to place quality, such as when larger roads are built through places to encourage faster connections to centres of economic activity, or when out of town business parks, drive-through retail units, or 'big box' stores are permitted, actively undermining already weakened high streets and accelerating cycles of local decline. A wide range of international studies associate less walkable neighbourhoods or those bisected by a fast highway with lower property values, a fairly robust measure of revealed preference and economic success.[24] In these cases, it is hard to avoid the conclusion that local authorities have, at best, failed to consider the wider needs of struggling places and resorted to accepting any public or private investment offered as being better than nothing.

Over recent decades, life support has become the default option for many of the left behind places identified as being in need of levelling up, and its costs should not be underestimated, either in terms of public revenue spending, missed economic opportunity, or the very real human costs of social and economic exclusion.

Place improvement

Where targeted, co-ordinated and sustained investment in the physical and/or social fabric of places generates enough uplift in economic and social activity to begin to attract more diverse residents and investment, starting positive cycles of improvement. These strategies do not rely on single large investments or time-bound projects, but rather on evolving the dynamics of places through multiple, smaller changes. As such, place improvement strategies are more likely to follow the grain of local heritage and to prioritise community engagement than other approaches to regeneration. Successful examples include Scarborough's revival by the RDA Yorkshire Forward, where the £4m renewal of the heritage harbour proved to be instrumental in attracting a new generation of start-up businesses and residents to the town centre, such that it was named as the most enterprising town in Europe in 2009[25]; some, but not all, of the New Deal for Communities of the 2000's, such as those in Manchester and Hackney;[26] and more recent community-led regeneration projects such as Granby Four Streets in Liverpool.[27]

However, place improvement strategies are much easier to write than to deliver successfully. They can easily overclaim and underdeliver. Almost every local plan or regeneration framework quite reasonably aspires to achieve lasting improvements to the social, environmental and economic wellbeing of local communities – but often they seek to achieve this via modest changes that turn out to be underwhelming in practice, or never materialise at all. For example, the national estate regeneration strategy launched in 2016 promised to 'transform up to 100 housing estates' but only provided £172 million of funding to do so.[28]

A further problem is that the need for investment, any investment, can sometimes override local placemaking objectives. The real test of commitment to place improvement can often be when it would require rejecting offered investment, which is understandably difficult for struggling places and cash-strapped authorities.[29] Even the most successful place improvement strategies can take many years, and some good fortune, to show results. The recent resurgence of interest in place-based and community-led regeneration demonstrates that delivering effective place improvement strategies remains a holy grail of public policy.

Transformation

Where public (and sometimes private) investment is of sufficient scale fundamentally to change the nature of a place and its economic function. This is difficult, expensive and rare – and has only a mixed record of success. It costs more but it can also waste more.

The conservation-led revival of Newcastle-upon-Tyne's city centre from 1997 to 2003 in the Grainger Town Project is an example of clear success. So is the more recent revival of the same city's Ouseburn Valley, from a former industrial area into an economically dynamic and vibrant part of the urban fabric. The Olympic redevelopment of East London and the revival of inner city Manchester are also generally seen as successful transformations of deprived urban areas — but they are also criticised for unleashing economic forces which have displaced local people and businesses, creating place poverty elsewhere, and by others as un-resilient place-making.

Transformation is undeniably hard to get right. Attempts often divide local opinion, sometimes bitterly. Inner city social housing estate regeneration has proved a particularly controversial version of transformation: some of the schemes feted for the best placemaking are also those most criticised for worsening affordability and social displacement, as newer homes and residents replace existing ones. Other attempts at transformation have failed to deliver on their initial transformative vision. Some culture-led regeneration schemes have relied too heavily on a single grand project investment to be successful, such as the National Centre for Popular Music in Sheffield or The Public in West Bromwich. Some of the housing market renewal Pathfinders of the 2000s, which cleared whole neighbourhoods of run-down terraced housing, predominantly in the North of England, have likewise come to be regarded as providing a very poor return on public money, in addition to destroying many very usable homes.[30] Even the widely applauded transformation of the iconic brutalist Park Hill Estate in Sheffield, which had fallen into disrepair and social decline, has nonetheless been controversial with some, and has taken far more time and investment than originally planned, showing just how hard it is to transform places well.[31]

Growth

Where the local labour market or growing access to jobs (accompanied by non-transformational levels of public investment) are sufficient to drive private-led investment in new developments. In recent decades, this model has been mainly residential-led, and primarily in higher value parts of the country. However, it has also included development in under-valued places that can support relatively low-cost housing at tight margins, especially if supported with government subsidy such as Help to Buy-fuelled, low-value edge-of-town estates. As research by the Place Alliance and Transport for New Homes has shown, much subsequent development under this model has been poor or very poor: inefficient in its land use, meagre in its social connectedness, and shockingly unsustainable in its transport implications. The UCL-led Place Alliance Housing Design Audit estimated that three quarters of new housing developments are mediocre or poor, disproportionately so in less prosperous areas: 'there is a continued trend (by a factor of ten) towards delivering sub-standard design outcomes for less affluent communities.'[32]

This is not due to lack of resources to create good privately-led new places but the nature of the dominant developer business model (which is focused on drip feeding standardised house types onto the market), and underpinned by four systemic failures in planning, fiscal and highways policy and in the nature of public subsidy. Though the situation is now improving, these have normally made it hard for private developers to create wellbeing-maximising, beautiful and sustainable places, even if they want to.

- ***Planning.*** The first challenge is the development-control-led planning system which, by making unclear requirements of quality, encourages private developers to bid up land prices and then factor down on materials, placemaking and infrastructure. Under-resourced local planning authorities struggle to insist on better schemes, and poor design has also been easier to get through planning on appeal as national policy targets focus on quantity rather than quality.[33]
- ***Tax.*** The second challenge is the 'sell now' tax model. Current tax incentives encourage immediate land sale or options dispersal over long-term stewardship models. This discourages existing landowners from taking a long-term ongoing position in development of their land, which can provide higher quality places which make a greater contribution to local growth over the long term.[34] In parallel, the unequal VAT treatment of new build versus retrofit of existing buildings encourages the demolition of existing buildings, particularly in areas of lower land value. This is a problem for the survival of heritage buildings in less prosperous neighbourhoods, which are often important to local wellbeing and civic pride, and are usually more distinctive than anything that might credibly replace them.[35]
- ***Parking and highways.*** The third challenge has been an approach to parking minimums and highways design (wide turning circles, no street trees, maximising speed over liveability, and air quality) which has tended to tear our existing settlements apart and made it near impossible to create walkable new places with real 'middles'.[36]
- ***The nature of public subsidy.*** Finally, the way in which public subsidy has been awarded to developers (above all but not exclusively from Homes England) has too frequently encouraged bad and unsustainable placemaking with poor consequences for residents' wellbeing and the sustainability of their living patterns.

The existing development model does, at least in theory, channel private investment to generate value. Some of this may be captured by the planning system or channelled by wise investors to support public benefits like affordable housing and, ultimately value-enhancing, infrastructure. In practice, the planning system often fails to maximise the public and place benefits of investment and few investors are able to capture such long-term benefits in the current system. For example, left behind towns are often perceived to have little choice but to accept any investment offered – even if this is in the form of poorly planned, sprawling estates or ugly infill buildings.

Growth models can create successful new places, as the now unarguable success of the Duchy of Cornwall's Poundbury extension to Dorchester demonstrates. This has created a higher density, more sustainable, more mixed tenure and greater value neighbourhood than any comparable development for several generations. Poundbury has located as many jobs as homes, has 30 per cent affordable housing and sells at a near 55 per cent value premium (for a 17 per cent cost premium).[37] New phases also have far less parking than earlier ones. Something is clearly going very right indeed. It is a success of vision, patience, urban design and architecture. However, success over the last generation has required unified ownership of low-cost land and skilled and courageous placemaking by a civic-minded landowner with access to long-term finance and with no need for short-term returns.[38] Such conditions are sadly rare and hard to create in today's left behind towns, where property values are low, economic opportunity scarce, and ownership, agency and finance rarely aligned. At Knockroon in Ayrshire, an attempt to replicate the model of Poundbury has struggled to achieve viability in a lower value location and tougher market conditions. At Sherford in Devon, a large urban extension initially designed with a high level of infrastructure and quality placemaking, much of the additional quality elements have been reduced in the face of commercial pressures.

Selecting the right model

Few places have the choice of the full range of these options, or indeed one person or institution to 'make the choice'. Other places may be able to follow elements of more than one approach at any one time or have no real strategy at all, only a de facto response to events.

Market forces determine that some places with higher land and house values may be able to support private sector-led growth, but few places have the right alignment of factors really to improve their place quality. Far more places seem to default to steady decline on public sector life support, punctuated by haphazard and even harmful attempts at improvements, entrenching the geographic disparity that levelling up seeks to address. Market viability alone is no guarantee of quality development – but its absence makes meaningful regeneration in low value neighbourhoods highly dependent on public subsidy that is always in scarce supply and subject to competing political pressures.

The ideal location for transformative levels of public investment are therefore places that can be confidently predicted to generate significant economic returns, if enough subsidy is provided to overcome upfront cost barriers like the need for major new transport infrastructure or environmental remediation. This encourages government to focus transformative regeneration in relatively low value areas within higher value regions, and on high profile opportunities that make the political case for large upfront spending easier. The £12bn public investment regenerating London's Lower Lea Valley for the 2012 Olympic Games is the paradigm example of this sort of transformative

public investment.[39] However, large social housing estate regeneration projects in fast growing inner cities can also follow this pattern. London has had many examples over the last 30 years, though sadly few seem set to create successful places in the long term.

At a smaller scale, the scarcity of public resources drives public authorities to prioritise investment in the places where it can be seen to deliver the best returns. In principle this is clearly right, but in practice (as discussed in section F), the process of identifying good value for money can be overly narrow and lead to sub-optimal or even perverse decisions. For example, Whitehall investment appraisal processes often prioritise the Benefit to Cost Ratio metric, which favours places and projects that can generate asset values relatively cheaply and quickly. This can lead public capital investment patterns to mirror those of the market, rather than fill in where the market will not. This is especially true for smaller scale capital investments in under valued places, which are very unlikely on their own to generate the area-wide transformation that could improve land values, and which require ongoing revenue support to be effective. But this sort of place-based revenue support is usually absent, as needs-based spending formulae are controlled nationally and targeted at places and projects whose needs meet national criteria, rather than at places where spending could be most impactful.

The result is that most places have only one realistic option from the five models of regeneration outlined above. A few may have some prospect of transformational investment, if all of the political and economic stars align for them, but such transformation opportunities are vanishingly rare. Siloed and short-term funding regimes mean impactful place improvement strategies are rarely possible. Market-led growth will only happen in higher value places that accept it (and many actively resist), and poorly directed market forces mean the benefits are largely externalised. Most left behind places are left with the model of barely managed decline on the life support of public revenue spending. This is not to ignore the efforts of local agencies and communities to improve their places, or to deny the existence of local organisations ready to make change happen. For example, Stanley has a strong masterplan and governance arrangements in place, while in nearby Sacriston, a left behind pit village suffering from decades of post-industrial social and economic decline, dynamic social entrepreneurs are starting to remake social infrastructure within the local institutional ecosystem.[40] In many such places there is a lot of goodwill, community spirit and at least some of the institutional capacity needed to deliver, yet without the necessary funding and policy support from government, positive plans can remain stuck on the drawing board.

While the policy intentions are honourable and the decision-making rationale behind these patterns are not unreasonable, the result is surely a gross failure of state and market alike. Where growth is happening, it should be the job of public policy to align incentives and overcome market failures to ensure private investment delivers public benefits. Where transformation is necessary and possible, public investment should

be proactively leading and co-ordinating it. And where complete economic rebirth is unlikely, that recognition should not allow us to give up on places or render them unworthy of investment: these places need a viable place improvement model of regeneration, not just life support or managed decline. One that can work in undervalued places that are unlikely to attract sufficient amounts of either private capital or public investment because they are either too small to generate their own economic growth dynamics or too remote from existing hotspots to piggyback on their growth. After all, these are precisely the sort of left behind places that the levelling up agenda is intended to help and where economic growth has most to offer.

---

17 Garling, O., (2022) 'Durham's "Category D" Villages', The Bennett Institute for Public Policy

18 Boys Smith, N., Venerandi, A., Toms, K. (2017), Beyond Location, Create Streets; p. 145

19 Cited in Hunt, T. (2014), Ten cities that made an Empire, Allen Lane; p. 411

20 Swinney, P. and Carter, A. (2018) "The UK's rapid return to city centre living" BBC

21 Local Trust (2019) Left behind? Understanding communities on the edge, p.12

22 ONS (2022) Effects of taxes and benefits on household income

23 Foundational Economy Research 2023 Jobs and Liveability

24 For example, one American study of a million property sales, found that every one point reduction in 'Walkscore' (an algorithm that estimates the walkability of every address in the United States on a scale of 1 to 100) was associated with a $3,000 reduction in a home's sales value). For a summary of this and other studies see Boys Smith, N., Venerandi, A., Toms, K. (2017), Beyond Location, Create Streets, pp.74-7

25 Falk, N. (2010) Assessment: Scarborough, Academy of Urbanism; BBC (14 May 2009) 'Resort 'most enterprising town'

26 Onward (2021), Turnaround: How to regenerate Britain's less prosperous communities by helping them take back control

27 Create Streets Foundation (2021) No Place Left Behind: The Commission into Prosperity and Placemaking, p.189

28 MHCLG, (2016) Estate Regeneration National Strategy

29 Source Charles Campion, interview with No Place Left Behind Commission (2021): 'Scarborough invested £4m in improving the harbour, and went on to win most enterprising town in Europe award! The decision to reject planning applications which would have created poor quality buildings was a 'mini revolution''

30 Cole, I. (2015) "The Housing Market Renewal Pathfinder Programme – A Drop of Keynes in a Neo-Liberal Ocean?", Built Environment (1978-) Vol. 41, No. 2, pp. 289-304

31 Wainwright, O. (7 April 2022), ''It always felt good here': how Sheffield's brutalist Park Hill estate survived the haters and their bulldozers', The Guardian

32 Place Alliance (2020), National Housing Audit; Transport for New Homes, (2022) Building Car Dependency

33 Interim report of Building Better Building Beautiful Commission (2020), Creating Space for Beauty, chapter 10; Boys Smith, N. (2019), More Good Homes; Boys Smith, N. (25 June 2021), 'Where the heart is' The Critic.

34 Building Better Building Beautiful Commission (2020), Living with Beauty, chapter 8; Create Streets has also encountered tension in actual projects where landowners wishing to remain invested in their land have been dissuaded by tax advice on their implications

35 Building Better Building Beautiful Commission (2020), Living with Beauty, chapter 9; Historic England (2014) Heritage Counts 2014: The Value and Impact of Heritage, p.3

36 Milner, D. (2022), Computer says Road, Create Streets; Milner, D. (2021), The bin lorry effect, Create Streets

37 Knight Frank (2020), Cost and Value: appendix to the Building Better Building Beautiful Commission

38 Shelter, (2017), New Civic Housebuilding

39 Hill, D. (2022), Olympic Park; When Britain Built Something Big, On London Books

40 Tomaney, J et al (2021), Sacriston: towards a deeper understanding of place, UCL; Tomaney, J et al (forthcoming), 'Social infrastructure and 'left behind places', UCL

D. Why place quality matters and how to approach it

Principles of effective place-based improvement

By definition, place improvement will vary widely across different places, reflecting the different economic underpinnings, physical conditions, development opportunities, social and institutional dynamics of different places. So, the first principle is that place-based improvement strategies must respond to the specific conditions of each place. That could mean repurposing heritage buildings to enhance the local community's sense of and pride in place, or making the most of natural and landscape features. But it must mean enhancing the individual character of each place, rather than replicating an aesthetic of anywhere. Repairing Scarborough's harbour was not central to its economic revival because it helped boost the traditional fishing industry, but because it was the physical and emotional heart of the town. If your town has a USP, use it.

Secondly, place improvement requires an approach to agency that looks beyond the traditional sites of power and investment. While local government will always be important, successful place improvement strategies invariably involve – and are often led by – a much wider range of public, private and community organisations. Many struggling and under-valued places are also marked by the weakness of their institutional ecosystem[41] – so interventions that can grow the social infrastructure are worth it in and of themselves, since they build local capacity which can then be used to meet a range of future policy goals. But regeneration cannot wait for the social structure to revive – so strategies should harness the existing energies and enthusiasms of local businesses, investors and community organisations – whatever they may be. Opportunism is not a dirty word for bottom-up regeneration. If you have a dynamic social entrepreneur, a civic-minded private landowner, an emerging local arts scene, or a strong community organisation that wants to do more, enable and support them to succeed.[42]

The third principle of successful place improvement is that it must operate on multiple levels, combining longer term visions of the future with near term improvements that people can feel and see every day. Few people in struggling towns, jaundiced by years of decline and sporadic interventions, will have faith in a strategy that promises spectacular change but only after years of disruption and noise. Nor will they be convinced that a few hanging baskets will reverse entrenched social problems. But beautiful new shop signs, street furniture and public art that are clearly part of a coherent plan for the high street can make a real difference today while providing reassurance that this is just the beginning.

Both micro and macro interventions have to be coherently linked into a wider strategy of change that is flexible enough to respond to the inevitable ups and downs of funding cycles, local events and the wider external context. This also means that metrics of success must include bold, long-term aspirations and narrower indicators of steady improvement.

Finally, the fourth principle is that place quality matters. There is a wealth of evidence of what constitutes better places, and of the better outcomes that result from them. See Appendix 2 at the end of this report for a summary of this evidence. But it is also the case that making better places is likely to have unforeseen, even surprising, benefits. Small, incremental improvements to place quality are therefore worth pursuing, even if it is hard to prove their value for money in advance.

A growing range of empirical studies in a wide range of countries are discovering strong correlations, and increasingly often demonstrable causations, between consistent elements of place design and good outcomes for human health, happiness and wellbeing as well as for property values. Hardly surprisingly, more prosperous residents with greater choice tend to monopolise the best areas with the best access to employment and other amenities (most notably schools).[43] This research has been summarised, and indeed contributed to, in Create Streets' books; Heart in the Right Street, Beyond Location and Of Streets and Squares. See Appendix 1 at the end of this report for a compendium of place improvements which have been shown to be effective in supporting improvements in local wellbeing and prosperity.

A very high-level summary would identify the following ten conclusions for happier, healthier, more sustainable and more prosperous places which tend to work for most people most of the time:

1. Gentle density is your friend – but 'fine grain' it!

The best and most beautiful streets are typically in areas of gentle density, halfway between the extremes of tower blocks and extended suburbia. They are rarely more than three to seven storeys high, with a land-use coverage between 45 and 65 per cent and dwelling density of between 50 and 150 homes per hectare. Squares between 80 and 100 metres wide and blocks between 50 and 150 metres long (depending on centrality) are normally best.

2. When it comes to greenery, little and often is normally best.

Urban greenery is associated with increased physical and mental wellbeing. The impact can be maximised by spreading it around, with frequent green spaces interweaved into streets and squares. Street trees are an obvious win. However, greenery on its own does not normally suffice, if most other things are wrong. Squares can be lovely, popular, relaxing places, without a blade of grass in sight – especially if the buildings are beautiful and the micro-climate is neither too hot, nor too cold.

3. Benches and statues should be structured, not randomised.

The placement of seating matters. Horizontal infrastructure, with a bit of structure, helps humans play the right roles: benches that face a fountain; an arcade that faces a square, with a statue or a podium in it. There is no benefit from 'bench washing' an ugly, windy chasm, or 'art washing' a traffic island. The best squares typically have an average sitting area of between 6 and 10 per cent of the total open space.

4. Beauty really matters.

The most popular places with a predictable 70-90 per cent of the population have a strong sense of place and could not be anywhere. They have active facades with variety in a pattern. They have streets that bend and flex with the contours of the landscape. They are not designed by committee. More finely-grained developments tend to be more long-lasting and resilient, better able to adapt to changing needs. Their coherent complexity interests and reassures. Most beautiful cities are intense, coherent and rich in architectural detail. Health correlates more with scenic quality than greenery per se.

5. Mix it up!

Places with a textured mix of different land uses, and active façades, are nearly always more successful. They attract more people and generate more diverse and engaging environments. They can work for longer portions of the day, by mixing people at work, people at lunch, people at home and people at play. Mixed land use is also more walkable and is associated with lower car use, as it is possible to combine trips more easily.

6. Edges attract and protect.

The edges of streets and squares attract us. There is more to look at (shop fronts, cafés) and (in a square) edges allow us to step back and either watch the world go past, or sample the space. Eight out of 10 people, in our sample, preferred to sit with their back against the wall and face the court.

7. People like to feel enclosed… up to a point.

Most people like to spend time in places that are enclosed and human scale, without feeling too claustrophobic. There is a necessary moment for views that open up as you round a corner, for grand vistas, for open parks, but many of the most popular streets surrounding and linking such views and vistas are surprisingly human-scale. Few of the most popular streets are wider than 30 metres or narrower than 11 metres. Popular wider streets (such as Barcelona's Paseo de Gracia or the Champs-Elysêeŝ in Paris) normally break up their width with avenues of trees. Many of the most popular squares and public spaces are between 50 and 100 metres in width. Street height-to-width ratio is normally best between 0.75 to 1.5. Most successful urban squares or plazas have a 1:3 to 1:2 height-to-width ratio.

8. It's not just what you spend, it's where and how you spend it.

Investing money in improving carriageways, pavements and horizontal infrastructure often works. Create Streets' Place Beauty Analysis found that investment in public realm was associated with increasing scenic quality. Normally, you should invest in places where the intrinsic quality of urban form and design are good, but poor maintenance, or poor-quality public realm, is needlessly letting them down. Also find tactical ways of improving streets, without big expenditure, and support community-led initiatives wherever possible. On average, in our sample, investment resulted in scenic quality increases of 0.46 or just under 14 per cent.

9. Walkability works, but does not quite mean maximising space to walk.

Compact, walkable and bikeable environments are good for you. People walk in them more and are healthier and happier. A complex array of elements encourages or discourages people walking or cycling rather than jumping in the car. More walking is encouraged by beautiful engaging façades, regularly spaced trees, and frequent small parks, the presence of resting places, arcades or colonnades at the edge of busy squares, outside cafes, sufficiently wide pavements and cycling lanes. Huge pavements with everything else wrong won't necessarily be very attractive. Our Place Beauty Analysis found that the 'presence of footways' influences scenic quality by almost 20 per cent more than the average of all urban elements studied. Normally you should design residential streets with a speed limit of 20 mph, continuous walkable environments that are more than 400 metres long and plant trees every 8 to 15 metres, depending on the street type.

10. Do people say they like it? And do they mean it?

Design isn't rocket science. We all spend time in towns, streets and squares. People are very good at judging what they like and where they want to be. And it is increasingly easy to use technology to map this. This can correct for the design disconnect (the measurable difference between the design preferences of design professionals and everyone else) and help crowdsource place improvements that people really like.

The good news is that not all of these approaches require major investment. The full list of elements Create Streets investigates when considering regeneration, and the relative cost of different interventions, are set out in Appendices 1 and 2.

---

41 Create Streets Foundation (2021) No Place Left Behind: The Commission into Prosperity and Placemaking; Tomaney, J et al (2021) 'Sacriston: towards a deeper understanding of place', UCL

42 Tomaney, J et al (forthcoming) 'Social Infrastructure and 'left behind places'', UCL

43 Boys Smith, N. (2016), Heart in the Right Street, Create Streets; Boys Smith, N., Venerandi, A., Toms, K. (2017), Beyond Location, Create Streets; Iovene, M., Boys Smith, N., Seresinhe, C.I., (2019), Of Streets and Squares, Create Streets

E. The current broken framework for public investment

Unfortunately, the growing body of evidence on the benefits and practicability of local improvements to place quality has not translated into the funding and policy support needed to enable change on the ground – particularly not in undervalued places with limited access to both private and public investment. As the Levelling Up White Paper published in February 2022 puts it, "geographic differences arise from market forces, which cause people, business and money to gravitate to where returns are perceived to be highest."[44] The results are arguably economically efficient, at least on a short-term basis, but not equal or socially just. A lack of investment in the physical fabric of places makes them less attractive to most investors – excepting those motivated by social purpose, such as housing associations, and those seeking to exploit declining places.

The role of Homes England

Homes England's annual budget is well over £6 billion. This money could and should be working much harder to achieve levelling up and regeneration targets as well as creating homes. Homes England's reach is wide. Many new developments that include affordable housing and all developments that include sales under Help to Buy are touched by the funding that flows through it. Yet this funding is not incentivising the delivery of successful neighbourhoods in the ways that it could. Indeed, in many cases Homes England's funding decisions of recent years have exaggerated market failure rather than correcting it, for example by de-emphasising design and quality standards in places where the value of land and housing is lowest – i.e. precisely the places where quality really should be paramount.

Above all, Homes England is still viewed primarily as a 'housing accelerator.' It lost the 'Communities' from its name in 2018 and its key measure of success has been very binary – the number of homes it delivers. As the organisation matures, so should its metrics, moving from measuring only numbers of homes to measuring positive impacts on places, regenerative development and wider resident well-being. In 2020, the Building Better Building Beautiful Commission's final report, Living with Beauty, gave a number of recommendations which could support Homes England in this mission, including applying design and quality standards to affordable housing strategic partnerships and to decision-making processes for land sales and acquisitions.[45]

Fortunately, Homes England has a new management team which has committed itself to making changes and is currently writing its new year five year strategy. There is, therefore, an opportunity, as well as a need, for change.

The impact of buy-to-let

Many left behind places have seen significant growth in buy-to-let property purchases in recent years. The combination of low asset prices on the one hand, and government support with housing costs in the private rented sector through benefits on the other, means left behind places offer amongst the best yields in the country, with relatively high rental income available for relatively small initial investments in property. This makes

left behind places attractive to absentee buy-to-let landlords.[46] The existing stock of housing in less economically productive places is also older and in worse condition than the average English home, increasing the costs and technical difficulties of improving energy efficiency ratings and broader conditions.[47]

Left behind neighbourhoods face a vicious circle of broken incentives: since many households can only afford to pay local Local Housing Allowance rates, renters are stuck choosing between different low-quality, energy inefficient homes, while private landlords operating in left behind places demonstrate a strong tendency to set rents at or around LHA levels regardless of quality, giving them no incentive to invest in their properties.[48] Across England, renters receiving housing benefits are 1.3 times more likely than other renters to live in homes in a poor state of repair,[49] an effect which will be supercharged in places with high concentrations of benefit-supported PRS tenants. These effects are aggravated by the continued existence of Section 21 'no fault' evictions, which deter tenants from raising concerns about property standards due to the risk they will be evicted. It is, therefore, unsurprising that the private rented sector has higher rates of non-decent homes than social rented housing or owner occupied housing in every region of the country, with particularly high rates of non-decency in the private rented sector in Yorkshire and the Humber, and the North East.[50] One consequence of this is frequent house moves from private renting households seeking to escape fuel poverty and other poor conditions, with damaging effects for community stability and local people's sense of security.[51]

The impact of Help to Buy

Turning to the development of new homes, it might be logical to assume that places where housing demand is relatively low would struggle to build new homes, since developers will not be incentivised to build where house prices are too low. In fact, local authorities in the North East and the North West of England have consistently delivered more new homes than the government's standard method for assessing housing need has required since 2018.[52] The problem is that new homes are often built away from existing streets and neighbourhoods, creating car-dependent estates which draw demand and investment away from existing neighbourhoods and town centres in favour of out-of-town and edge-of-town retail, office and service centres.[53] As such, out-of-town and edge-of-town services have become more important in recent years, particularly in the North East, they have reinforced the primacy of car travel for accessing employment and services, limiting access to opportunities for those reliant on public or active transport. The result is a progressive hollowing out of existing streets and town centres.

The No Place Left Behind Commission criticised the role of the government's Help to Buy schemes in contributing to this trend.[54] Prior to the introduction of the Help to Buy Equity Loan in 2013, first time buyers making their first step onto the housing ladder provided an important source of demand for cheaper existing properties in more affordable neighbourhoods – which they often went on to improve, creating further economic activity. This demand has been substantially redirected into new-build market

sale housing subsidised by Help to Buy, which in turn has incentivised the development of larger, less dense housing on the peripheries of existing cities, towns and villages,[55] often creating unsustainable places with in-built car dependency.[56] Peripheral greenfield sites are far more likely than urban brownfield sites to enable developers to build homes which are affordable and desirable to those using Help to Buy, particularly given high remediation costs for many brownfield sites in less economically productive places. Many undervalued neighbourhoods feature large amounts of brownfield land with high levels of contamination – a common legacy of these places' industrial histories. A significant body of research attests to the negative impacts of living near to disused and contaminated sites on community health and mortality rates.[57]

New homeowners have of course benefited from Help to Buy, and some existing communities have used the demand the scheme has stimulated to support local regeneration efforts by ensuring new housing is better connected to existing neighbourhoods. Yet the scheme has undoubtedly also left in its wake a growing number of neglected brownfield sites, empty homes and struggling high streets. In this way, national housing policy has both responded to and worsened the problems of poor placemaking in less economically productive neighbourhoods.

These problems could in theory be remedied by public investment to cover more of the costs of preparing brownfield land for private development. However, in practice, less economically productive places receive far less of such public funding than already prosperous places do, despite a clear need for gap funding. For example, of the £57.8 million allocated from the Government's Brownfield Release Fund in October 2021, local authorities in the North East, Yorkshire and the Humber and the North West received 4 per cent, 4 per cent and 2 per cent respectively. Local authorities in London, the South East and the South West received 15 per cent, 25 per cent and 26 per cent respectively, despite far higher house prices in these regions making brownfield development more viable without government funding.[58] Indeed, as section F of this report will discuss, a disproportionate share of this land remediation funding went to the south of England precisely because of higher house prices there.

Land value capture

Similar dynamics are at play in determining the quality of placemaking and the range of tenures private housing developments provide in less economically productive places. Local authorities use Section 106 (S106) agreements - and, in some places, the Community Infrastructure Levy (CIL) - to secure affordable housing and the infrastructure needed to support new homes, such as roads, playgrounds, schools and doctors' surgeries. In effect, S106 and CIL are forms of land value capture that channel some of the profit from building new market homes into subsidising new affordable housing and infrastructure. Where house prices are higher, due to high housing demand, there is more land value to capture and local authorities can require higher levels of affordable housing and infrastructure through their Local Plans without disincentivising private development.

By contrast, lower house prices in much of the north and the midlands mean housebuilding is usually less profitable, so council policies require lower contributions – even if there is a high need for affordable housing or additional infrastructure. In 2018/19, of 44,500 affordable homes across England agreed through Section 106 agreements, just 777 (1.7 per cent) were in the North East – a region which contains 4.8 per cent of England's population.[59] In the same year, 80 per cent of all contributions to local infrastructure agreed through CIL were in London and the South East, amounting to £825m. The North East and Yorkshire and Humber together raised just £36m.[60] Most northern councils do not charge CIL at all for fear of deterring private developers, given the already low profits on offer from building homes where prices are lower but construction costs are comparable to the rest of the country.[61]

As a result, new private developments in less economically productive places do not produce the same improvements in transport, education, health and placemaking seen in places with higher house prices. Recent research from the University of Leeds and the Institute for Transport Studies indicates the importance of investment in precisely these types of infrastructure and services for building and maintaining housing demand in northern neighbourhoods.[62] Yet again, central government spending pots like the Housing Infrastructure Fund exacerbate these spatial inequalities by directing public funding at higher demand housing markets rather than acting as a counterweight to private investment patterns.[63]

Low housing demand also means social landlords rarely have the option to generate significant cross-subsidy from building market sale homes in left behind places — a frequent strategy for funding building and placemaking improvements in social housing in places with higher property values. In theory, government grants could allow social landlords to overcome funding gaps for retrofitting and otherwise improving estates where cross-subsidy is not an option. However, funding from the £11.5bn Affordable Homes Programme 2021-2026 is skewed towards London and the south of England, and the fund is also designed explicitly to exclude works on existing homes – however old or unfit-for-purpose. Funding is available only for net additional homes on regeneration projects, i.e. new build dwellings above and beyond the original number of homes on an estate. Even the Recycled Capital Grant Fund (the mechanism used to reinvest historic grants which become available when, for example, supported housing is converted to general needs social housing) is subject to the same restrictive rules as the AHP, and so cannot be used to fund retrofitting or other works on existing homes. This focus on short-term additionality may make sense in the context of high-demand housing markets, where the primary need is to increase housing supply and there is typically more demand for the higher density, flatted development that higher prices can support. But it is simply inappropriate in less economically productive places, which often lack the housing demand necessary to densify estates in the ways net additionality funding conditions require – and where in any case the social need is often for less intensive housing forms, such as family housing or older people's accommodation.

The impact of national policy

Taken together, these distortions in the framework for investment produce a high risk of poorer placemaking, slower modernisation of buildings and spaces, and slower build out rates, particularly in regions with lower demand housing markets.[64] The result is stagnation of the built environment, which research has linked to adverse health outcomes, increased hospital admissions,[65] higher rates of fuel poverty, and missed opportunities to improve local employment opportunities.[66]

Without concerted action from government, geographical disparities in the quality of the physical environment will continue to widen, worsening the problems the levelling up agenda has aimed to resolve. Yet most recent government investment has continued to replicate the spatial distribution of private investment. Public money for affordable housing and infrastructure flows disproportionately to high-demand housing markets where capacity to meet these needs using land value capture and cross subsidy from the development of market housing is greatest.[67] Indeed, since 2018, this has been an explicit aim of government policy, with the so-called '80/20 rule' directing 80 per cent of five major Homes England funds to the 50 per cent of local authorities where house price to income ratios are highest – which map closely onto the places where housing demand is highest. These local authorities represent just 43 per cent of England's population and are overwhelmingly concentrated in London and the south of England.[68]

The result is what former Prime Minister Boris Johnson called "a sort of Matthew effect… so you end up investing in areas where house prices are already sky high and where transport is already congested".[69] Yet despite this statement from the very top of government and several specific announcements of the abolition of the 80/20 rule, including in the Levelling Up White Paper, it continues to cast a long shadow over funding decisions. For example, Homes England's latest annual report in July 2022 continued to reference it as a Key Performance Indicator.[70] How has this situation emerged, and why is it apparently so resistant to change? Section F below will explore the barriers to rebalancing the spatial distribution of central government investment, followed by recommendations to tackle these barriers in section G.

44 Department for Levelling Up, Housing and Communities (2022) Levelling Up the United Kingdom, p.96

45 Building Better Building Beautiful Commission (2020), Living with Beauty, pp.125-126 46 Pickford, J. (2021) Buy-to-let landlords spread their bets away from London, Financial Times

47 The Smith Institute and Northern Housing Consortium (2018) The hidden costs of poor quality housing in the North, p.6

48 Rugg, J., Wallace, A. (2021) Property supply to the lower end of the English private rented sector, Nationwide Foundation, University of York, pp.12-13

49 Which? (2018) Reform of the private rented sector: the consumer view, p.14

50 DLUHC (2022) English Housing Survey: Private rented sector, 2020-21, Figure 4.1

51 See, for example, Blackpool Council, Housing Strategy 2018-2023: Building a Better Blackpool

52 Savills (2022) English Housing Supply Update, Figure 4, p.31

53 Transport for New Homes (2022) Building Car Dependency 54 Create Streets Foundation (2021) No Place Left Behind: The Commission into Prosperity and Placemaking, pp.183-184

55 MHCLG (2018), Evaluation of the Help to Buy Equity Loan Scheme 2017, p.99

56 Transport for New Homes, Building Car Dependency, 2022

57 Pearce, J., Richardson, E., Mitchell, R., Shortt, N. (2010) Environmental justice and health: the implications of the socio-spatial distribution of multiple environmental deprivation for health inequalities in the United Kingdom, Transactions of the Institute of British Geographers, Volume 35, Issue 4, pp. 522-539

58 Department for Levelling Up, Housing and Communities and The Rt Hon Michael Gove MP (October 2021) Press release: Thousands of new homes to be built and derelict land transformed

59 MHCLG (2020) The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Level in England in 2018-19, p.50

60 Ibid., p.49

61 Ibid., p.19

62 Nellthorp, J., Ojeda Cabral, M., Johnson, D., Leahy, C. and Jiang, L. (2019) Land Value and Transport (Phase 2): Modelling and Appraisal. Final Report to TfN, WYCA and EPSRC, Institute for Transport Studies, University of Leeds

63 Barratt, L. (2019) Housing Infrastructure Fund disadvantages Northern areas, Inside Housing

64 Lichfields (2020) Start to Finish: What factors affect the build-out rates of large scale housing sites?

65 Rodgers S., Bailey R., Johnson R., Poortinga W., Smith R., Berridge D., et al. (2018) Health impact, and economic value, of meeting housing quality standards: a retrospective longitudinal data linkage study. Public Health Research, 6(8)

66 Johns, M., Longlands, S. (2020) Northern Powerhomes: A green recovery plan to decarbonise homes in the north, IPPR North, pp.12-16

67 O'Brien, N., Miscampbell, G. (2020) Levelling up: Rebalancing growth-enhancing spending, Onward, pp.24-25

68 Knight, O. (2020) Government funding to unlock housing acting as a barrier to the levelling up agenda, Knight Frank

69 A reference to verse 13:11 of the Gospel according to Matthew "For to him who has will more be given, and he will have abundance; but from him who has not, even what he has will be taken away." Johnson, B. (2021) 'Levelling Up Speech', Accessed online at:
https://www.conservatives.com/news/2021/the-prime-minister-s-levelling-up-speech-in-full

70 Homes England (2022) Annual Report and Financial Statements 2021/22, p.41

F. Barriers to rebalancing government investment towards less economically productive places

The problem of spatial economic inequality in the UK long precedes this government. Indeed, many communities of the industrial midlands and north of England have been facing pressures of international competitiveness and relative decline for the best part of a century. However, it has been brought to the fore in recent years by the Government's prominently stated aspirations to level up the country by rebalancing public investment in favour of less prosperous places – an aspiration given political teeth by the large number of new Conservative MPs in seats in the North and Midlands following the 2019 election.

Boris Johnson's Government produced considerable political will for change – hence the many policy statements about rebalancing investment and the multiple funding pots attached to the levelling up agenda. While the Public Accounts Committee and other bodies have raised concerns about the Government's approach to distributing this funding and the transparency of selection processes,[71] at least some new funding introduced by Johnson's Government bucked the trend for places with low economic growth and low housing demand to be overlooked in favour of more prosperous places. Research from the Create Streets Foundation showed that local authorities, including red wall constituencies, received significantly more from the government's Emergency Active Travel Fund in 2020 compared to England's most prosperous local councils, for example.[72] Some levelling up funding pots may have been intended at least in part to circumvent the logic of most government funding decisions, in which – as discussed above – less economically productive places are systematically disadvantaged compared to already prosperous places.

Changing the well-established orthodoxies that underpin the investment framework will certainly require strong political leadership, but such commitment is only a necessary first step. Successive governments have found it far harder to change the technical structures and methodologies through which economic policies are expressed – and which are then internalised by decision makers throughout the whole of government. This section therefore explores in detail the primary tools which define the investment framework: the Treasury's famous Green Book and its central methodology, the Benefit Cost Ratio.

The Green Book and Benefit Cost Ratios

HM Treasury's Green Book, which sets out the government's appraisal methodology for assessing the relative merits of capital projects, is often blamed for undermining the delivery of policy goals like levelling up.[73] As a result, the Treasury published the Green Book Review in November 2020, introduced changes to the text of the Green Book itself, and published supplementary guidance on how to consider wellbeing measures as part of Green Book appraisal in July 2021. Together, these changes aim to tackle the problems identified in the Review and to support the delivery of the Government's strategic objectives, including the levelling up agenda.

At the heart of the problem is the over-reliance the Green Book appraisal methodology produces on UK-wide Benefit Cost Ratios (BCRs) in government funding decisions. This is a critical issue and worth explaining fully.

A full Green Book appraisal consists of five key components:

- the Strategic Case
- the Economic Case
- the Commercial Case
- the Financial Case
- the Management Case.

However, in practice, the Economic Case, and within this UK-wide Benefit Cost Ratios, are widely perceived as the key metrics for deciding which proposals get funding and which do not. Indeed, there is a widespread belief that HM Treasury will only fund projects with a BCR of over 1 (sometimes over 2). The Green Book's methodology for calculating BCRs takes an explicitly national approach to assessing benefits and costs, aiming to quantify the total monetisable national economic benefits of a proposed investment divided by the total relevant costs. This appraisal is static, not dynamic, meaning that it excludes any impact that might result from changing patterns of behaviour caused by the investment – such as decisions to relocate business or residence (see below).

What are dynamic effects?

Dynamic effects change the behaviour of firms and consumers, and the structure of an economy. They are typically contrasted with static effects.

Static effects are the direct effects of an investment – in the case of transport, changes that emerge due to a reduction in travel time and costs. This will incorporate some wider economic impacts beyond the individuals and firms using the transport. For example, static effects include increased tax returns from wage and productivity gains created when individuals and firms are brought 'closer together' (that is, when the time it takes to travel from place to place is reduced, but firms and consumers do not relocate).

Dynamic effects are the induced effects of an intervention – changes that emerge as a result of capital and labour movement. For example, individuals and firms may decide to relocate in response to a change in transport. This will change economic activity in certain areas, sometimes leading to further productivity gains. Static effects do not include these relocations, and the resulting changes in land use, and so miss part of the economic impact.[74]

It is precisely these kind of dynamic effects that place-based regeneration seeks to achieve – what we called above 'the virtuous cycles of regenerative development' – yet these effects are explicitly excluded from the core methodology for assessing whether investment is worthwhile. This failure to consider the dynamic economic effects of investment is clearly a fundamental flaw of the BCR, as it misses opportunities to account for productivity gains and economic growth that some places could realise, with sufficient investment, and the impact that investment could have on future land values and other prices.[75] Economist Diane Coyle puts this bluntly: "[The Treasury] can add up but they can't multiply."[76] Crucially, it also fails to account for the many risks to national growth from tolerating economic decline in left behind places, including the evidence on poorer health outcomes, increased hospital admissions, stagnating house prices and missed opportunities to boost local employment outlined above. Static appraisal also directly favours richer areas by using current market prices (for example, for wages, housing and land) to assess the costs and benefits of projects.[77]

In accordance with this focus on UK-wide BCRs, the Green Book also assumes that employment impacts from most spending decisions will generate zero additional employment, on the basis that any local increase in jobs is likely to displace economic activity from somewhere else in the country. Making the case for investment in local regeneration projects in places with low growth on these terms is extremely challenging. The 2018 edition of the Green Book included revisions to increase the scope for appraisal of wider economic benefits and costs, for example, through enhanced techniques to analyse the distributional impacts of public investment for particular places and for particular groups of people. It recommended that distributional weights should be developed and applied to monetised benefits in areas with lower than average incomes, feeding into BCRs. However, these 2018 Green Book techniques have rarely been used in practice, with traditional BCR calculations remaining dominant.[78]

In short, the scales continue to be weighted in a way that makes investment in left behind places very hard. The cumulative impact of decisions from both private and public investors to direct investment towards the country's most prosperous places has been to speed up the decline of the least prosperous places, widening the UK's geographic divides. As a result, the people, buildings, land, civil society organisations and other assets of less prosperous places do not make the contribution they could to economic growth – at either the local or national level. As academics Ron Martin and Pete Tyler argue: "There is a need to move beyond a simple aggregate 'national' conception of the economy, to one founded on the explicit recognition that it is composed of individual communities, towns, cities and regions, wherein actual wealth creation, work, consumption, and public service provision take place."[79]

Green Book guidance on calculating UK-wide BCRs interacts with a range of other factors to worsen the systematic disadvantage that proposals for investment in less economically productive places must overcome. These include:

- how readily some costs and benefits can be monetised, and therefore included in BCRs, compared to other costs and benefits
- the different resources available to councils which vary in size, revenue-raising capacity and access to the specialist (and expensive) expertise needed to produce strong BCR calculations and compelling cases for public investment more broadly
- differences between places which can mean that conditions attached to government funding – often with the intention of ensuring good value for public money – effectively exclude some communities from government programmes relevant to their needs
- the differing appraisal guidance and methodologies used by other government departments
- splits in the costs and benefits of investment proposals across different government departments.

The remainder of this section will explore how the Green Book interacts with these factors to minimise the public investment available to left behind places, particularly for housing and placemaking projects.

Evidence gaps in BCRs

As HM Treasury's Green Book Review acknowledges, relying on BCR rankings to assess public investment proposals risks producing decisions which are not aligned to policy objectives.[80] A BCR may be based on evidence which itself is incomplete, has limited applicability to local conditions, or covers an insufficient time horizon to account for full project costs and benefits. Research by economists Diane Coyle and Marianne Sensier demonstrates how BCRs have sometimes been manipulated to justify transport investment decisions made on political grounds.[81] As the Green Book Review puts it, "a single and often spuriously accurate BCR, developed without reference to a strategic case, does not give a comprehensive view of the social value offered by an intervention and should never be the sole defining factor in appraising options."[82]

Work from economic consultancy CEBR for Homes for the North emphasises that left behind places – where housing and land values are lower – are likely to be disadvantaged by this. This is because more of the total benefits of investment in these places are likely to be in the form of un-appraised benefits: "This suggests that better capturing externalities should produce a more efficient and equitable allocation of resources across different types of area".[83]

Social value measurements

In particular, the potential social value and wellbeing impacts of investment proposals have tended to be underemphasised in Green Book appraisal, both because it has not always been clear which social value and wellbeing impacts are valued by decision-makers – i.e. the outcomes investment should achieve have not been clear enough –

and because metrics to capture these impacts are under-developed. The Treasury's July 2021 Wellbeing Guidance for Appraisal supplementary guidance, developed by the Social Impacts Task Force, intelligently attempts to address these problems. It sets out recommendations on the use of wellbeing analysis and valuation in the policy appraisal stages to inform value for money analysis and options selection (the Economic Case). It encourages the use of wellbeing evidence at the strategic stage (the Strategic Case). The preferred approach outlined is to incorporate robust, causal estimates of wellbeing within cost benefit analysis, which involves translating wellbeing impacts into equivalent monetary values. This is very welcome and suggests a real desire to improve public sector decision making in line with government policy.

However, the evidence base which could support such a robust assessment of social value in many cases simply does not exist. Hundreds of social value measurement tools have been developed, but there is no industry-wide accepted method for measuring social value. In comparison, much work has been done to assess economic benefits such as the value of time for transport appraisals. These in turn strongly influence government transport spending decisions, often in ways that are harmful to placemaking and wellbeing, as Create Streets research has shown.[84]

More research into social value and wellbeing measures is needed to fully capture the holistic impact of investment decisions on people's quality of life. This would enable the Treasury's very welcome Wellbeing Guidance for Appraisal to be 'put into action' in decision-making, for example, through better, more holistic evaluation of current and recent public housing and placemaking projects which can then inform future spending decisions. In the meantime, it is critical that government finds better ways of accounting for social value in decision-making based on available evidence.

Centralised decision making

Yet for all these flaws, BCR calculations do have the considerable advantage of producing quantitative evaluations of proposals for investment which are – at least on the surface – comparable. There is a strong and understandable desire from government decision-makers for evaluations of proposals for investment which can easily be compared on a consistent basis across government and across the country. Decision-makers generally feel more confident about investing public money in line with these BCR calculations as part of Economic Cases than they do about making judgements on the basis of Strategic Cases, which are by their nature qualitative descriptions of how proposals for investment will meet policy objectives.[85] This creates perverse incentives for proposals to emphasise benefits which it is easy to monetise over other benefits which may be more strategically important but which cannot so readily be estimated. It also encourages investment bids to suggest a level of certainty around the value of monetisable benefits that may not be merited by the evidence.

It is likely that this preference for supposedly objective and readily comparable BCRs is entrenched by the highly centralised nature of the UK state. Strategic Cases and

proposals for more holistic regeneration investments are more readily understood by those who know and understand the places in question – which becomes less and less likely the further away decisions are made. Faced with multiple competing demands for investment in places that they have never seen, it is hardly surprising that decision makers in Whitehall prefer to rely on the number in a nationally standardised BCR calculation.

Imbalances in local authority resources for competitive bidding

While this report warmly welcomes the significant sums committed to levelling up, we are critical of the tendency to run these funds centrally from Whitehall, and to force local councils and others to bid competitively for them. In theory, this supports better value for money from public spending by ensuring only the worthiest proposals receive public investment. In practice, it ensures that funding continues to flow disproportionately to those councils with the resources to prepare multiple proposals to the standard required to win competitions and, in turn, consistently disadvantages local authorities with more constrained resources. Since 2010, austerity-driven cuts to local government budgets have been unevenly distributed across the country, further entrenching spatial inequalities.[86] Very often, councils in the North East region have drawn the shortest of all straws, reducing their internal capacity for successful bidding further.[87] Boris Johnson's Government did provide some additional funding to help with the costs associated with bidding for some levelling up funds. However, this has been insufficient to overcome the significant imbalances in resources and internal expertise between different local authorities.[88]

A related problem noted in the Treasury's Green Book Review is the lack of transparency around how public investment decisions are taken, beyond ranking the BCRs of different proposals. This has encouraged local authorities to rely on external consultants specialising in boosting BCRs when preparing competitive bids for public investment, adding to the problems of resourcing high-quality bids for local authorities with the most constrained budgets, and risking the further erosion of internal expertise in bidding authorities.[89] As Councillor Abi Brown, leader of Stoke-on-Trent City Council, put it in a recent essay for the Centre for Inequality and Levelling Up: "If true levelling up is to be achieved, it will not be through a succession of beauty parades for small pots of cash for centrally directed pet projects. It will be secured by one joined-up conversation, a commitment to long-term partnerships, to a shared vision of what cities like Stoke-on-Trent can become, and the resolve and funding to see it through."[90]

The government has started to respond to these problems. The UK Shared Prosperity Fund will allocate £2.6bn of new money, using funding formulas (based first and foremost on population) rather than competitive bidding.[91] August 2022 brought the allocation of £9 million of Levelling Up Parks funding to local authorities, again with no competitive bidding process. The government instead identified 85 local authorities eligible for funding using data from Natural England and the Index of Multiple Deprivation to assess the need for more and better outdoor space.[92] The list of eligible

local authorities includes 25 in London and the south of England, 25 in the midlands and east and 35 in northern regions. The size of the fund is small, particularly in relation to the scale of cuts to local authority spending on parks since 2010.[93] Nonetheless, this represents a positive, and potentially very important, step on the road to more regionally balanced public investment in place quality, and one the government should take further.

The differential impact of funding restrictions in different places

In a similar vein, conditions attached to government funding – often with the intention of ensuring good value for public money – effectively exclude some communities from government programmes relevant to their needs. This can be because local authorities with tighter finance or internal capacity constraints face additional challenges in demonstrating that central government conditions have been met, because left behind places cannot rely on the same mix of funding from different sources that is available to prosperous places, or simply because conditions are inappropriate for meeting the placemaking needs of left behind places.

For example, a recent report from the Public Accounts Committee expressed concern that challenging deliverability requirements attached to levelling up funding may have combined with delays in central government decision-making to result in good proposals for investment being compromised or rejected, while other proposals of less merit may have succeeded in accessing public funding by being overoptimistic about their delivery timescales.[94]

Earlier in this report, we discussed the difficulties housing associations and local authorities delivering homes in left behind places face in meeting the Affordable Homes Programme's requirement for each project to deliver net additionality in housing numbers. Densification of existing housing estates may not make obvious financial sense where there are clear signs of housing market failure (such as high or rising numbers of homes not in use). Equally, it may not be realistic to expect housing demand to increase – and thus enable net additionality requirements to be met in future – without improvements to the quality of homes, placemaking and local infrastructure. Work from CEBR for Homes for the North gives two further instructive examples of this problem:[95]

- A Future High Streets Fund bid was challenged by the requirement that no more than 5 per cent of the money be for beautification (i.e. improving the public realm). Whilst this may be appropriate for some areas, in others, very poor public realm can act as a barrier to growth such that addressing it may be a highly effective use of public resources.
- In the case of a town centre bid (including residential and mixed-use components) that was successful in securing funding, an arbitrary 'top slice' was applied by the Treasury, meaning that only 70 per cent of the funding bid for was provided. This meant that a carefully designed scheme had to be substantially reprofiled, which was in itself costly and inefficient.

Mutually reinforcing appraisal guidance from different departments

HM Treasury's Green Book guidance also interacts with departmental guidance on appraising the costs and benefits of investment proposals in ways which have particularly pernicious effects for the provision of good quality housing and placemaking in left behind places. In 2016, the then Department for Communities and Local Government's appraisal methodology was updated to assess the economic benefits of new developments primarily in terms of expected land value uplift – again, based on current market prices.[96] Where previously the impact of public investment on local employment had been included as a monetised benefit in DCLG appraisals, the 2016 guidance assumes that any jobs created by publicly-funded developments would not be additional as they would probably displace economic activity from somewhere else in the country, in line with Treasury Green Book guidance. Instead, the 2016 guidance assumes that changes to land values will capture all net private impacts of a development.

These changes were bound to steer investment towards places with high housing demand, where the difference between the current value of land in agricultural or industrial use and the current value of land in residential use is boosted by higher house prices. Where housing demand is lower, land value uplift from changes of use will also be lower – while the impact of local increases to employment would in many cases have been greater, given higher rates of unemployment in left behind places. While house prices vary significantly from place to place, the costs of development and non-residential existing use values vary far less. In this way, HM Treasury's Green Book produced changes to departmental appraisal guidance and practice which have reinforced the tendency for new public investment decisions to closely track the past geographic distribution of growth.

Assessing costs and benefits across departments

A further challenge to robustly appraising proposals for public investment arises from the fact that the costs and benefits of a given proposal may be split between different government departments. For example, capital funding for the Affordable Homes Programmes comes out of the Department for Levelling Up, Housing and Community's budget, while savings accrue principally to other departments, such as the Department for Work and Pensions, in the form of lower long-term expenditure on housing benefits for low-income households in social rent homes compared to the private rented sector. The Treasury's Green Book Review recognises this problem as a barrier to developing, appraising and delivering place-based improvement strategies, noting that "interdependencies between different interventions owned by different departments, and the benefits to a place to be expected from the interventions working together are not given proper consideration."[97]

Unfinished business

The changes introduced to the Green Book text and associated guidance since 2020 are very welcome and are in many cases targeting the right problems. However, it seems highly unlikely that they will address the problems identified here effectively or result in a fundamental shift in the opportunities for left behind places to access the public investment needed to kick-start regeneration. Like previous changes to the Green Book in 2018 and earlier, they are shifts of emphasis rather than substantive methodological changes, they are voluntary, and they rely on the development of a robust evidence base for appraising broader social and public value that does not currently exist. Above all, there is no single figure alternative to the existing measures of value of a project. It is, therefore, probable that decision makers will continue to over-rely on UK-wide Benefit Cost Ratios when comparing proposals for public investment. If this remains the case, then spending will continue to reinforce existing spatial inequalities rather than challenging them.

---

71 House of Commons Committee of Public Accounts (2022) Local economic growth Fifth Report of Session 2022–23, p.5

72 Create Streets Foundation (2020) Cycling uphill? New research shows that the government's Emergency Active Travel Fund may be starting to "level up" the former "Red Wall", p.3

73 See, for example, Street, A. (14.01.2020) "Andy Street: Levelling up for the Midlands and North. Javid must tear up the Treasury rules to make sure it happens", Conservative Home

74 Atkins, G., Davies, N. and Kidney Bishop, T. (2017) 'How to value infrastructure', Institute for Government

75 Coyle, D., Sensier, M. (2018), The Imperial Treasury: appraisal methodology and regional economic performance in the UK, Bennett Institute for Public Policy working paper no: 02/2018

76 Cited in The Economist (1 September 2022), 'Why Britain cannot build enough of anything'

77 O'Brien, N., Miscampbell, G. (2020) Levelling up: Rebalancing growth-enhancing spending, Onward, p.45

78 Ibid., p. 51; Arup (2020) 'Levelling up' and revising the Green Book: Where next?, p.14

79 Martin, R. and Tyler, P. (January 2022) Levelling up left behind places: Only a bold mission-orientated policy will succeed, Bennett Institute for Public Policy Blog, University of Cambridge

80 HM Treasury (2020) Green Book Review 2020: Findings and response, p.9

81 Coyle, D., Sensier, M. (2018), The Imperial Treasury: appraisal methodology and regional economic performance in the UK, Bennett Institute for Public Policy working paper no: 02/2018, pp.8-9

82 HM Treasury (2020) Green Book Review 2020: Findings and response, pp.9-10

83 Cebr (2021) Operationalising the Levelling Up Agenda in Housing Appraisal, p.49

84 Milner, D. (2022), Computer says Road, Create Streets

85 Arup (2020) 'Levelling up' and revising the Green Book: Where next?, p.7

86 Gray, M., and Barford, A. (2018), "The depths of the cuts: the uneven geography of local government austerity", Cambridge Journal of Regions, Economy and Society, 11(3): pp.541–563

87 Gray, M., Barford, A. (2018) "The depths of the cuts: the uneven geography of local government austerity", Cambridge Journal of Regions, Economy and Society, Volume 11, Issue 3, pp.541–563

88 Weakley, K. (08.09.2022) "Analysis: Which areas have benefited from competitive funding pots?", Local Government Chronicle

89 HM Treasury (2020) Green Book Review 2020: Findings and response, p.5

90 Brown, A. (2022) "Levelling Up Stoke-on-Trent" in Atherton, G. and Webb, C., Levelling Up: What is it and can it work?, Centre for Inequality and Levelling Up at the University of West London, p.34

91 DLUHC Communities (May 2022) Guidance: UK Shared Prosperity Fund allocations: methodology note

92 DLUHC, DEFRA, Natural England, and The Rt Hon Greg Clark MP (August 2022) Press release: Over 100 new and revamped parks to level up towns and cities across the UK

93 Martinsson, K., Gayle, D., McIntyre, N. (August 2022) Funding for England's parks down £330m a year in real terms since 2010, Guardian

94 House of Commons Committee of Public Accounts (2022) Local economic growth Fifth Report of Session 2022–23, p.6

95 CEBR (2021) Operationalising the Levelling Up Agenda in Housing Appraisal, p.50

96 Department for Communities and Local Government (2016) The DCLG Appraisal Guide, p.60

97 HM Treasury (2020) Green Book Review 2020: Findings and response, p.4

G. Challenging the broken investment framework: potential strategies

Faced with a Whitehall-controlled investment framework that systematically disadvantages poorer regions and undervalues placemaking and regeneration, housing associations, local government and others struggling to deliver levelling up have a limited number of options.

- They could seek to challenge the existing framework on technical and/or political grounds, in the hope of overriding the primacy of the economic case in investment appraisals.
- Or they could choose to work within the overarching framework that has proved so resilient, and seek instead to improve the evidence base so that it more accurately captures the wider social value that placemaking and regeneration can produce.
- On a more political level, they could support campaigns for greater devolution to regional and local tiers of government, with the expectation that this would result in more place-sensitive investment decisions by devolved administrations closer to the ground.
- Alternatively, they could seek to reduce dependence on central government funding streams by identifying new sources of capital investment more aligned to their objectives.

In this section we outline what these four broad strategies might look like, after considering the political, fiscal and investment context of the current moment.

Fiscal and political context

In the last few years the Covid pandemic, inflation, the war in Ukraine and the response to the energy crisis have combined to sharply worsen the position of the public finances – which had already been under sustained pressure since the global financial crisis of 2008 and the economic disruption of Brexit. As a result, there is now intense political pressure on the government to rein in public spending as soon as the immediate crisis allows.

While the Government has reiterated its commitment to levelling up, and the moral and electoral drivers behind its creation have not disappeared, it is difficult to imagine that the amount of funding for levelling up will be increased. There may be pressure to reduce it. In this context, the hunt will be on to find ways of funding levelling up that do not rely as much on public investment. This may prompt a return to the fiscal politics of the Cameron-Osborne era, with its emphasis on restraining budgets while 'doing more with less', and a revival of interest in the financial tactics and mechanisms of that period. These sought to leverage private investment wherever possible, and to keep borrowing off the public balance sheet entirely or, failing that, to keep it off the deficit

(but on the debt). While this context would present obvious challenges for capital-intensive regeneration, especially in left behind places, it would also create opportunities for policy innovation and financial creativity, which housing associations could be well placed to exploit.

While traditional grants will continue to be important for social housing providers and regeneration projects alike, housing associations would do well to consider what alternative funding arrangements might be both viable for them and politically appealing to the Government. The history of financial policy innovation in recent years is instructive (see box): the main lesson is that new financial mechanisms that seem unthinkable can quickly become the norm if the political context changes.

Government housing guarantees: a potted history

Throughout the years of the New Labour government's regeneration programmes, many voices in economic development and housing policy argued that the state should offer guarantees to encourage private investment in places and sectors that would otherwise be deemed too risky. The logic seemed strong: many markets – for example in new energy technologies or struggling housing markets – would surely prove profitable once the market had achieved maturity and scale, or once regeneration had taken effect, but no private investor was prepared to be the first mover, knowing that such early investors often lose everything. By guaranteeing a proportion of such investment, the government could 'derisk' it, enabling private capital to come in and stimulate growth. Yet despite numerous attempts, the Treasury resisted using its balance sheet in this way, largely on the grounds that it would be contrary to EU State Aid rules. Guarantees were allowed for business loans in certain narrow circumstances – particularly to overcome market failures for small businesses – but not for direct investment in the UK's infrastructure or housing stock.

Eventually, in the wake of the financial crisis, Chancellor George Osborne was able to overcome this objection and compelled the Treasury to start providing guarantees for businesses on a larger scale, launching first the National Loan Guarantee Scheme in 2011,[98] and then the NewBuy Guarantee Scheme for new build housing purchases on 95% mortgages. NewBuy struggled to attract customers, the target of 100,000 sales was cut to 25,000, and by the time the scheme closed in 2015 it had managed just 5,534 sales.[99] However, not a single successful claim was made against the government's guarantee – suggesting that concerns about exposing the public finances to housing market risk were unfounded.

NewBuy's importance was that it established that the government could in fact use guarantees to support policy aims, not just to correct market failure, and could do so with minimal expenditure. This opened the floodgates and guarantees rapidly became the instrument of choice. Hundreds of billions of pounds of investment

were guaranteed by a range of schemes, from the £40 billion UK Guarantees scheme for infrastructure projects,[100] to the £10 billion guaranteed under the Affordable Housing and Private Rented Sector Guarantee schemes[101] and the £12 billion Help to Buy Mortgage Guarantee - which supported up to £130 billion of high loan-to-value (LTV) mortgages for over 100,000 house sales between 2013 and 2016.[102] By 2021, the Treasury was happy to describe mortgage guarantees as 'a tried and tested approach to reinvigorating the high LTV mortgage market', when launching yet another mortgage guarantee in the wake of the Covid pandemic.[103]

Fiscal policy under Theresa May, and particularly under Boris Johnson, took a more relaxed position on government borrowing, and guarantees were largely supplanted by more traditional grant mechanisms – most of them short term, discretionary pots distributed through competitive bidding rounds. But after the huge fiscal hit of the Covid pandemic, and with the energy crisis triggering a third wave of government borrowing, it was always likely that fiscal policy would tighten sharply. With that may come a resurgence of interest in 'tried and tested' methods of using the government's balance sheet to attract private capital for public policy aims.

Social, Impact and ESG Investing

One area of financial innovation that seems particularly well suited to the regeneration of left behind places is the burgeoning impact investment movement, which evolved from the closely-related 'social investment' or 'ESG investment' (standing for 'environmental, social and governance') movements.

Recent years have also seen a huge growth in impact investment funds, as holders of private capital have become ever more interested in social and environmental, as well as financial, returns. This area suffers from a profusion of changing and often interchangeable terms, but the Global Impact Investing Network's simple definition captures the core idea of "Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."[104] Using this definition, the Impact Investing Institute estimates the size of the UK impact investment sector at £58 billion in 2020 – a figure that is set to double by 2023. These funds come from a variety of sources, of which the largest are investment and fund managers, insurance companies and private equity/venture capital firms, which between them manage around 75% of the UK's impact capital. The largest growth potential is seen as being in the institutional investment sector, particularly pension funds, several of which are now moving decisively in this direction.[105]

Using the UN's Sustainable Development Goals as categories, the areas receiving most priority for impact investment are healthcare, clean energy and 'sustainable cities and communities' – this last being a broad category that includes affordable housing, public transport and the urban environment.[106] Strangely, however, housing associations' activities are not generally counted as impact investment – ostensibly on the grounds

that they do not measure their impact in ways that the impact investment sector recognises, but possibly also because housing associations have distinct and well-established routes to finance that pre-date the birth of impact investment. Both of these barriers to the integration of housing associations into the impact investment world may be coming down, as parts of the social housing sector and ESG investors have made conscious efforts to align themselves in recent years.

Place-Based Impact Investing

Within this broader landscape, an emerging Place-Based Impact Investing (PBII) sub-sector seeks to 'focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.' As such, PBII seeks to overcome the traditional siloed portfolio strategies of investment managers, which typically allocate funds across defined sectors like 'commercial property' or 'energy' or 'technology', rather than to individual places. The traditional approach spreads risk and allows investment managers to develop expertise in different sectors – but it also prevents investment from realising the benefits of holistic place improvement: the virtuous circles of regenerative development that a focus on place can deliver. PBII therefore offers an opportunity for impact investors to pursue social and environmental returns at the same time as they generate positive financial returns from the economic benefits of regeneration.

A recent study of the potential for PBII to contribute towards the levelling up agenda noted that the scale of PBII in the UK is currently very limited, but that it has huge potential to grow if the strong demand from large scale institutional investors can be unleashed. As the study notes, Local Government Pension Schemes are particularly well suited for Place-Based Impact Investment, as these 98 pension funds have £326 billion of assets and a place-based administrative and membership geography. The government acknowledged this explicitly in the Levelling Up White Paper, noting that if all LGPS funds were to allocate only 5% to local investing, this would unlock £16bn in new investment to support levelling up goals such as sustainable development, infrastructure and regeneration.

To date, few housing associations have sought to access impact investment funds on any significant scale, partly due to lack of awareness of the opportunities, but also because they have been able to access other sources of private capital more cheaply or more easily, and because grant has often been available instead. In an era of ultra-low interest rates and a global capital glut, housing associations' implicit government guarantee and secure asset base made them a natural target for investment capital. When governments made increasing housing supply a top national priority, grant was also often available via Homes England. Today, both the interest rate environment and the political climate are changing fast. In this context it may well be time for associations to reconsider finding new sources of investment capital that can take a more holistic view on place improvement, make more modest demands for financial returns, and attract private sector innovation and investment to supplement or replace grant funding.

Strategies for changing the funding framework

There are four broad strategic approaches that housing associations could take over the next few years, as they seek to make the case for greater investment in placemaking and regeneration in left behind places.

1. Challenge the BCR

There is already a growing body of evidence in academic and policy literature, much of it cited above, of the limitations of the Green Book and its over reliance on BCRs. The publication of the Green Book Review in 2020, and the subsequent updating of the Green Book itself, demonstrates that there is a genuine willingness within the Treasury to recognise failings in its appraisal framework and to seek to address them. It is possible that a tipping point could be reached when attitudes within government finally shift in favour of a new, more holistic approach to project appraisal.

This tipping point could potentially be brought forward by associations and their allies making a political and strategic argument for investment in left behind places, relying on the Strategic Case to overcome the challenges of the Economic Case in Green Book appraisals. After all, despite the widespread perception that it is a major barrier to investment in lower value places, as the Green Book Review states: 'The Green Book does not set policy objectives, nor does it determine decisions. Both the setting and prioritisation of objectives and the taking of decisions are rightly matters for elected decision makers, who are not bound by advice made on the basis of a Green Book compliant appraisal.'[107] In other words, political priorities are meant to trump BCRs, and politicians are not required to follow the Green Book's advice when making funding decisions.

2. Research to improve the evidence base on social value and apply it to placemaking interventions

As noted in section F above, the current Green Book claims to prioritise social value as the central purpose of public investment decisions. And as the Green Book Review puts it, it 'is technical guidance aimed at helping officials provide advice to decision makers about how to achieve an explicit policy objective and maximise social value.'[108]

Social impacts are obviously highly complex and interdependent, making social value measurement (SVM) inherently difficult – especially when compared to well-established economic and financial metrics. Consequently, appraising social value objectively is not straightforward, as there is no simple metric of what constitutes social value, or of the impact on social value that different interventions might have. Both public investors and the rapidly growing private social investment movement have therefore devoted significant resources to developing and improving systems for measuring and reporting social value, and for assessing the impact of organisations' activities in terms of social value. Increasingly, social value is treated as one of the three pillars of 'ESG' (alongside environmental and governance) but it remains the broadest and least well defined

of the three, and hence has the least well established systems for measurement and reporting. This is critical because investors — whether they are private fund managers or Treasury decision makers — need to be confident that the data they are using to compare potential investments is genuinely comparable and an accurate reflection of the impact projects will actually have on the ground.

Within the UK housing and regeneration sector, the most widely used SVM framework is the HACT Social Value Framework. This captures a wide range of social outcomes that can be expected from housing investment and services, based on an extensive research base, and presents them in an easy-to-use toolkit that allows housing providers to generate social value impact metrics from a minimal amount of information input. Yet despite its popularity within the sector, the HACT framework has not achieved sufficient acceptance within government to compete with more conventional BCR metrics. This is, at least in part, due to the 'black box' nature of the toolkit: the calculations used to generate the outputs are not open to scrutiny by the user, which Treasury sources say is critical to their confidence in the accuracy and reliability of the data.

In 2020 a wide group of social investment agencies, housing providers (including Karbon) and investors came together as the ESG Social Housing Working Group to create the Sustainability Reporting Standard for Social Housing. This comprises a set of 48 criteria across 12 themes for housing providers to demonstrate their ESG performance in a format that is compatible with existing impact investing frameworks.[109] It is intended to be a 'consistent and broadly accepted sector-wide approach for ESG reporting, which would support and increase private sector investment in this vitally important sector.'[110] While this is a very promising development, particularly the collaborative nature of its development, the resulting reporting standard was always intended as a minimum level of compliance to allow all sizes of associations to access institutional funding without having to develop their own ESG frameworks which they would then have to justify to funders. As such the SRSSH is a helpful intervention, and is already being used by many housing associations,[111] but it has gaps around key areas such as the 'S(ocial)' element of ESG.

This problem is common to many ESG reporting systems. As a study by the Corporate Responsibility Initiative noted, ESG reporting – like other systems for measuring and monitoring corporate behaviour — tends to start out as an ad hoc collection of metrics, based more on what data could readily be collected than what was genuinely revealing or important.[112] But whereas other parts of ESG – especially the environmental pillar – have overcome the 'sheer ad hocery' of their early days to become much more sophisticated in recent years, 'the S remains the weakest link in the ESG chain; ad hocery has prevailed.'[113]

A potentially more impactful methodology was developed first for Hyde Housing by Bates Wells (now Sonnet).[114] The value of a social tenancy (VOST) model sought to assess how the core services provided by a social landlord create social value. It estimates the value of a social tenancy by comparing the life and wellbeing outcomes for people who get a new social tenancy with those of similar people waiting for one in temporary

accommodation or the private rented sector, including their likelihood of finding and sustaining a job, their use of healthcare and criminal justice services, and the amount of welfare benefits they receive. The results put the direct value of a new social tenancy at £11,175 per year – to which can then be added the indirect benefits created by the housing association's construction and maintenance work, and the additional economic value created by tenants' increased employment. The result is a total value of £16,906 per year for each additional social tenancy provided. These are average figures across the whole of Hyde's stock – but the methodology can be equally applied to specific development schemes by drawing on local data to generate a comparable social value figure. Hyde have since combined the VOST model with environmental and governance metrics to produce a full ESG framework.[115] Helpfully, the VOST model is entirely transparent and free for housing associations to adopt: it is already being used by Guinness, MTVH and Hanover.

While this approach to measuring and reporting the wider impacts of housing and regeneration investment has clearly progressed rapidly in recent years, it remains to be seen if the evidence can achieve the necessary level of rigour and transparency to be fully incorporated into Green Book appraisals – and more importantly into the culture and processes of government. However, it does genuinely seem that social value reporting – particularly the VOST model – is on the verge of achieving the necessary critical mass of evidence and adoption to at least stand a chance of satisfying Treasury demands. By employing the VOST model to measure their own projects' social impact, and promoting the wider adoption of universal standards like the SRSSH throughout the sector, housing associations could help push these frameworks closer to mainstream government acceptance.

3. Campaign for greater devolution to regional and local government

There is already a degree of momentum behind the drive for greater devolution in England, one that helpfully cuts across party lines, and an emerging alignment among the elected Metro Mayors of the North and Midlands as they demand more powers and funding from government. The government should continue and accelerate the welcome change in grant funding rules towards greater devolution and area-based criteria, rather than national financial metrics. It should encourage and empower places to develop strategies to meet housing need across local authority boundaries. Some combined authorities and unitary authorities are ready now to benefit from five-year funding settlements with central government, as London does, while others could be supported to move in this direction, including through the combined county authorities model outlined in the Levelling Up White Paper. As in London, the devolution of housing funds should be supported by direct funding for skills training to support locally-led housing delivery. Housing associations and their allies could support this movement with evidence, public communications and political influencing, if they believe that better-resourced Mayors (and potentially other local leaders) would be more likely to understand the benefits of placemaking and regeneration and fund them accordingly.

While this would in some ways be a relatively straightforward strategy to adopt, it is not without risks. Firstly, the assumption that Mayors would naturally take a more supportive view than the Treasury needs to be tested. Even disregarding the political risk that devolved leaders may simply not accept the need for investment in regeneration any more readily than national politicians, any holder of public funds will face similar pressures to allocate scarce resources fairly and efficiently – and may therefore find themselves replicating the same Whitehall allocation processes at the local level. Indeed, it is possible that, with fewer specialist staff and less experience of running complex investment programmes, Mayors prove to be even more likely to rely on standardised methodologies than the national civil servants.

Secondly, there is no guarantee that a successful campaign for greater devolution of investment funding will give Mayors significantly more discretion over funding choices. The Treasury has proved itself willing and able to tightly control the processes by which local government allocates funds, to the extent that many in local government have complained that they have little real decision-making power at all (see for example the Lyons Inquiry, 2007). There may be no good grounds for assuming that greater devolution of regeneration funding would not follow this pattern. Nonetheless, it is hard to argue that centralisation has worked well for the regeneration of left behind places or the economic rebalancing of England's regions – and there is a simple democratic legitimacy to greater devolution that makes it a powerful cause to back.

4. Strategic alignment with emerging impact investment capital

The discussion of the social investment landscape above suggests that there could be potential for a strategic alignment of housing associations, large scale impact investors and government, to take Place-Based Impact Investing to the next level. This could deploy housing association-led (and other) regeneration projects to mobilise the capital of impact investors and help deliver the government's levelling up priorities in a way that suits the new political and fiscal reality. Institutional investors need the secure, long-term assets to deliver modest, but steady, returns that well-managed property can provide; housing associations need capital to support new social housing, regeneration and retrofitting their stock. In this context, as well as significant opportunities to attract private impact investment into affordable housing, regeneration and placemaking, there may also be scope to pitch to government for top-up grants and investment guarantees to make new PBII partnerships viable.

In particular, there could be a natural alignment of interests between the regionally-pooled Local Government Pension Schemes and housing associations seeking to regenerate left behind places. In 2015, the government changed the LGPS scheme in England and Wales with the aim of encouraging individual LGPS funds to pool their assets and invest collectively, to leverage their scale, improve investment opportunities and reduce costs. There are now eight pools, combining local schemes on a (broadly) regional basis. The Border to Coast LGPS pool (which covers the whole of the North East as well as much of the North West, Yorkshire & the Humber and the East Midlands

regions)[116] currently manages over £38bn of investments on behalf of its pension holders and has asserted its commitment to developing ESG reporting frameworks, but has not made any specific commitments to place-based investment.[117] Even a small move towards a PBII model could therefore provide significant amounts of investment capital for regeneration. For example, Manchester's LGPS scheme has committed to allocating 5% of its £22 billion investment funds to local place-based projects. A similar commitment by Border to Coast LGPS pool would provide £1.9 billion of impact investment.

Key recommendations:

1) Count social value better.

The government should support and encourage the development of robust social value reporting frameworks – using the VOST model as a starting point – to enable more rigorous monitoring and evaluation of spending and policy interventions in housing and placemaking. This will help build understanding of what is working and the contribution policies are making to closing spatial differences, in line with the aspirations set out in the Levelling Up White Paper. Research should aim to capture fully the holistic impact of investment decisions on people's life quality, using social value and wellbeing measures to capture the externalities associated with housing and placemaking investment. Developing a stronger evidence base in this way will lay the ground for those bidding for public money and decision-makers to implement Treasury's July 2021 Wellbeing Guidance for Appraisal.

2) Work with place-based experts and investors.

The government should engage with housing associations and others leading regeneration, social and institutional investors, and experts in the placemaking and social impact field, to identify ways in which public, commercial and impact investment capital can be better aligned to support wellbeing and prosperity-enhancing regeneration. These might include formal government endorsement of standardised social value measurement frameworks, tax incentives and government investment guarantees to de-risk aspects of regeneration projects and attract large scale institutional capital into Place Based Impact Investing vehicles.

3) Devolve funding methodologies.

The government should continue and accelerate the welcome change in grant funding rules towards greater devolution and area-based criteria, rather than national financial metrics (such as the previous 80/20 rule applied to Homes England funding). The government should encourage and empower places to develop strategies to meet housing need across local authority boundaries. Since 2012, affordable housing delivery in London has benefitted significantly from the devolution of housing funds and policy to the Mayor of London through five-year settlements with central government.[118] Ten years on, it is time for other cities and other places to gain more control over the levers

for delivering new homes. Some combined authorities and unitary authorities are ready now to benefit from five-year funding settlements with central government, as London does, while others should be supported to move in this direction.

4) Allow Homes England to invest in existing homes in left behind places.
Additional flexibility should be provided to allow Homes England capital grant to be spent on acquiring, retrofitting and refurbishing existing housing stock in places where 'net additionality' rules are not appropriate because of lower market demand. The Department for Levelling Up, Housing and Communities should work with HM Treasury and with Homes England to amend the current Affordable Homes Programme 2021-26 to permit exceptions to the usual requirement for funding to be used exclusively for the delivery of net additional housing. For example, funding should be available for housing projects to refurbish empty or substandard homes in low-demand housing markets, where such projects form part of long-term strategies to raise housing demand.

5) Task Homes England with place-based regeneration as well as new homes.
Homes England's new five-year strategy, due for publication later in 2022, should be wider in its scope, should incorporate all the government's non-financial policy objectives including levelling up, beauty, net zero, community, local prosperity, loneliness and health and wellbeing, and should incentivise performance beyond regulatory minima. New corporate objectives, KPIs and a Quality Framework should underpin this shift, and Homes England should work with the Government's new Office for Place to ensure consistency with wider government strategy. To support this, Homes England will need longer term business planning periods and targets – often 40 years is a better timeframe for planning places than 5 years. This will permit Homes England more flexibility to not have to reduce quality in order to manage cashflow challenges within the financial year. It would also make it easier for them to say 'no' to poor quality proposals in low value areas.

---

98 HM Treasury and The Rt Hon George Osborne (29 November 2011), Autumn Statement 2011

99 DLUHC Help to Buy Equity Loan tables 2021

100 HM Treasury, The Rt Hon George Osborne, and The Rt Hon Danny Alexander (18 July 2012) 'Government uses fiscal credibility to unveil new infrastructure investment and exports plan'

101 MHLCG, HM Treasury, Deputy Prime Minister's Office, and Mark Prisk (20 June 2013) '£10 billion housing guarantees open for business'

102 HM Treasury (28 September 2017), 'Help to Buy: mortgage guarantee scheme: Quarterly Statistics'

103 HM Treasury (March 2021) The mortgage guarantee scheme: outline 104 Global Impact Investing Network (2020) 2020 Annual Impact Investor Survey

105 The Impact Investing Institute (March 2022), Estimating and describing the UK impact investing market

106 United Nations (2015), Sustainable Development Goals

107 HM Treasury (2020) Green Book Review 2020: Findings and response, p.3

108 Ibid., p.24

109 The Good Economy (November 2020) The Sustainability Reporting Standard for Social Housing

110 Ibid., p.24

1111 ESG Social Housing Working Group (accessed October 2022) Sustainability Reporting Standard Adopters

112 Ruggie, JG and Middleton, EK (June 2018) Money, Millennials and Human Rights: Sustaining 'Sustainable Investing', Corporate Responsibility Initiative

113 Ibid., p.24

114 The Hyde Group (2020), The value of a social tenancy: a socio-economic evaluation based on Hyde's housing portfolio

115 The Hyde Group (2021), Performance, progress and impact: A summary of Hyde's approach to ESG

116 Border to Coast Pensions Partnership (accessed October 2022) Our Partner Funds

117 Border to Coast Pensions Partnership (19 April 2021) Setting New ESG Reporting Standards

118 Morphet, J., and Clifford, B. (2021) Local authority Direct Provision of Housing: Third Research Report, UCL Bartlett School of Planning, p.120

Appendix 1: Full check list of potentially impactful place improvements at three scales

Scale	Theme	Criteria
Street design ('child's eye')	Materials, adoption & maintenance	**Pavements** - Is the pavement a consistent level, with side roads yielding to pedestrians? (Copenhagen crossings)
		Carriageway - Does the carriageway use high quality materials and does it allow water to permeate through? (Granite channel / permeable materials)
		Pavements - Does the pavement use high quality, sustainable materials?
		Carriageway - Do intersections have a tight radii? (This lowers vehicle speed and makes it easier to cross on foot. 1m ideally, which equates to 10-15mph turning speed)
		Carriageway - Where possible, are the carriageway and pavement at the same level?
	Greenery, street furniture & lighting	**Street trees** - Are they present and are they 8 - 15m apart with appropriate root beds? Are they native? Are they a consistent species?
		Planting - Is there attractive street planting? Is there low-level planting to capture particulate matter?
		Planting - Do CIL or S.106 payments cover maintenance costs? Or has a management company been set up to maintain planting areas?
		SUDS - If appropriate, are SUDS incorporated into the street design?
		Street Lighting - Is the street lit sufficiently for safety at night?
		Street Lighting - Do the street lamps produce pleasant soft, yellow light (not greater than 3,000 kelvin) appropriate to the location?
		Street furniture (street lights, bins, benches, bollards, signs) - Is it provably popular and long lasting?
		Street furniture (street lights, bins, benches, bollards, signs) - Are the pavements clear of unnecessary street furniture?
		Street furniture (street lights, bins, benches, bollards) - If appropriate, are there well positioned benches for rest? (If a public space 6 -10% should be seating)
		Street furniture (street lights, bins, benches, bollards) - Does the design prevent bins dominating the street view?
	Traffic signs and markings	**Street Signs** - Are street signs used only when absolutely necessary?
		Street Signs - Are signs concentrated on existing posts or walls where possible, with as little visual impact as possible?
		Street Markings - Is the street surface clear of painted markings where possible?

Appendix 1: Full check list of potentially impactful place improvements at three scales

Scale	Theme	Criteria
Site layout ('Human's eye')	Parking	**Parking** - Do currently necessary parking spaces have the potential to become public spaces, or new homes in the future?
		Parking - Is opportunity parking (on-street) utilised well?
		Parking - Can residents park bikes conveniently and safely?
		Parking - Is parking softened with permeable materials e.g. grass blocks and greenery?
	Street geometry	**Street layout** - Do the streets have an enclosure ratio of between 0.85 - 1.5?
		Street layout - Are the streets defined by the buildings along them or by the vehicles that use them?
		Cycle/walkability - Does the street layout provide direct routes that aid walking and cycling?
		Speeds - Do the streets oblige low speed through their design?
		Street layout - Are the streets interconnected thus providing multiple ways to get from a to b?
		User friendliness - Would a 10 year old feel comfortable cycling around the area?
		Cycle/walkability - Where appropriate, is car traffic restricted in favour of pedestrians and cyclists?
		Street safety - Could a person with mobility or visual impairments get around pleasantly and safely? (Pavement width min 2m, ideally 3m. Especially in a town centre)
		Street layout - Does the street layout follow desired lines, or force people to take longer indirect routes?
		Urban shape - Is the building to open space ratio appropriate to the setting? (50% for walkable areas, 90% in historic centres)
		Street layout - If appropriate are street, blocks small enough? (75m-100m in length)
	Street users' needs	**Open space** - Is public, open and play space enclosed and easy to access?
		Open space - Is there a green corridor? (For both human movement and biodiversity)
		Cycle - If a main street are bike lanes protected from vehicle traffic? (30mph or greater)
		Accessibility - Can residents walk to a shop to feed their family?
		Accessibility - Are there places for recreation within pleasant walking or cycling distance?
		User friendliness - Could you imagine the street being used for people to play in or communities to hold activities on?
		Accessibility - Are there places of work within pleasant walking or cycling distance (or access to inner city public transport)

Appendix 1: Full check list of potentially impactful place improvements at three scales

Scale	Theme	Criteria
Beyond the ‘red line’ (‘Birds eye’)	Quality places	**Air and noise quality** - Is the environment pleasant within the development? Particularly the air and noise quality
		Infrastructure - Is the development a net positive for the wider area?
		Sense of place - Are the streets a place or just a route through?
	Layout & Connectivity	**Accessibility** - Can people walk enjoyably and safely to the nearest centre (walk score)
		Accessibility - Can people cycle enjoyably and safely to the nearest centre?
		Street connectivity - How well integrated is the development with the surrounding streets? (Integration and choice factors according to Space Syntax openmapping)
		Public Transport - Would you catch a bus, tram or train to the nearby city/town centre without looking at the schedule? (frequency <7 mins)
		Growth - Does the development allow for future growth?

Appendix 2: Summary of intervention strategies

Items in column two which are underlined are (we believe) critical i.e. without these in place, it is normally very hard for a place to be very prosperous in the medium term.

Items in column two *which are in italics* are ones where it may sometimes be possible to start quickly. These won't in themselves solve a place's challenges, but they can signal intent and will normally genuinely improve existing resident wellbeing and/or make a place a more attractive one in which to live, work or bring up children.

Category	Ways to increase local prosperity	Indicative likely cost	Indicative likely timing of payback
Set the right aims	1. *Set the right targets and KPIs focusing on public health, pollution, local wellbeing & economic growth*	-	Medium
Ensure access to work	2. Encourage or support sufficient local sources of employment	££	Medium
	3. Encourage or support purposeful and high-quality employment	-	Medium
	4. Provide or enable reliable & regular sub 30min transport to non-immediately proximate jobs ('would you catch the bus without checking the timetable?')	££ - £££	Medium – Slow
Ensure access to education	5. Provide, support or enable attractive primary, or secondary education	££	Slow
	6. Provide, support or enable attractive primary, or secondary education	£££	Slow
Encourage community regeneration and asset ownership	7. *Work with others to create or support local third-sector, resident-led groups who can conceive and own micro-interventions and who can manage community-owned buildings and spaces*	£	Medium
	8. Encourage and support community asset acquisition and regeneration (above all local shops or homes so that existing residents can benefit from improvements)	£-££	Medium
Create 'reasons to visit'	9. Specific reason for non-residents to visit (specific tourist attraction)	££	Medium
	10. Specific reason for non-residents to visit (shopping or restaurants)	££	Medium

Appendix 2: Summary of intervention strategies

Category	Ways to increase local prosperity	Indicative likely cost	Indicative likely timing of payback
Green the streets & clean the air	11. *Plant street trees and create frameworks for groups of residents to care for trees. Street trees should normally be native and 'right tree for right place' 8-15m apart*	£	Fast
	12. *Create microparks and 'green the streets' with frameworks for resident leadership and sustainable drainage where possible*	£	Fast
	13. *Create opt-in green streets programme with trees, re-greening and reduced parking*	££	Fast
	14. *Create 'green corridors' through town*	££	Medium
Liberate movement	15. *Widen pavements, introduce 20mph zones and make it safer and more enjoyable to walk and cycle*	£	Fast
	16. *Support use of local bikes, e-bikes, e-scooters (once legal) through loans & training*	£	Fast
	17. *Where relevant, provide car-share to reduce need for private car ownership*	£	Fast
	18. Consider if any major roads need to be 'put on a diet'	££	Medium
Support good streets	19. Create pavements at consistent level with Copenhagen crossings and good materials	££	Medium
	20. Create permeable carriageways with tight turning radii and 'at grade' with pavement where possible	££	Medium
	21. Ensure street lighting is sufficient for safety, though ideally <3000K	££	Medium
	22. Ensure street furniture is not cluttering, is popular & long-lasting with well-positioned benches and bins that don't dominate	£	Fast
	23. Ensure street signs are not cluttering, only used where necessary and on existing posts where possible	£	Fast
	24. Ensure street marking is used as little as possible	£	Fast
	25. Ensure parking is softened with grass blocks and greenery and has potential to grow into public spaces	£	Fast

Appendix 2: Summary of intervention strategies

Category	Ways to increase local prosperity	Indicative likely cost	Indicative likely timing of payback
Reduce development risk	26. *Create a clear design code with associated Local Development Order for optional plot by plot intensification or improvement*	£	Fast
Co-design estate regeneration	27. Create a community co-led board to oversee estate regeneration	-	Medium
	28. Ensure estate regeneration is informed by key tenets of popular, prosperous place-making a. Urban morphology with clear backs & fronts b. Interconnected streets c. Readily walkable d. Gentle density e. Well-enclosed spaces (probably 0.8 – 1.5) with streets defined by buildings along them not vehicles that use them f. Mix of uses (as far as possible) g. 'Fit in' and 'of this place' (materials, detail and form) h. Resilient (flexible use & form) i. Beautiful & loveable ('coherent')	£££	Slow
Support town and neighbourhood centres	29. *Locate public and communal services in town centre*	£-££	Fast – Medium
	30. *Permit place-enhancing change of use. Create a clear design code with associated Local Development Order for improvements to town centre and high street*	£	Fast
	31. Ensure local plan policies are clearly town-centre and neighbourhood-led (i.e. shops in town centre not on greenfield etc.)	£	Medium
Renewing existing homes	32. Improve energy efficiency of existing homes to reduce living costs	£££	Slow
	33. Restore and regenerate existing homes to increase pride in place	££	Medium