National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 84
SESSION 2009–2010

17 DECEMBER 2009

Regenerating the English Coalfields

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Regenerating the English Coalfields

Ordered by the House of Commons
to be printed on 15 December 2009

Report by the Comptroller and Auditor General
HC 84 Session 2009–2010
17 December 2009

London: The Stationery Office
£14.35

This report has been prepared under section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

Amyas Morse
Comptroller and
Auditor General

National Audit Office

14 December 2009

This report examines the progress and impact of the Department for Communities and Local Government's (the Department) three specific initiatives to tackle coalfields' regeneration in England.

Printed in the UK for the Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
P002337295 12/09 65535

Contents

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This report can be found on the National Audit Office website at www.nao.org.uk/coalfields09

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Summary

Introduction

1 In England 124 coalfield pits out of 130 have closed since 1981, resulting in 193,000 job losses from an industry of 200,000.[1] The closures left large areas of derelict land, and affected the prosperity of the communities where coal mining was a major industry because alternative employment opportunities were scarce.

2 This report examines the progress and impact of the Department for Communities and Local Government's (the Department) three specific initiatives to tackle coalfields' regeneration in England (**Figure 1**). The report does not seek to evaluate the contribution of other national regeneration programmes and mainstream providers in the coalfields, but it does consider how the three national coalfield-specific initiatives work alongside those efforts.

3 As at July 2009, the National Coalfields Programme (the Programme) had spent £464 million towards the physical regeneration of 107 coalfield sites in England. The Coalfields Regeneration Trust (the Trust) had spent £160 million on grants to support community projects in English Coalfield areas, and the Coalfields Enterprise Fund (the Fund) had invested £6.5 million into growing businesses.

4 The Department has delegated day-to-day accountability and control of the National Coalfields Programme to the Homes and Communities Agency. Local delivery is the responsibility of the owners of coalfield sites (mostly Regional Development Agencies or Local Authorities).

Key findings

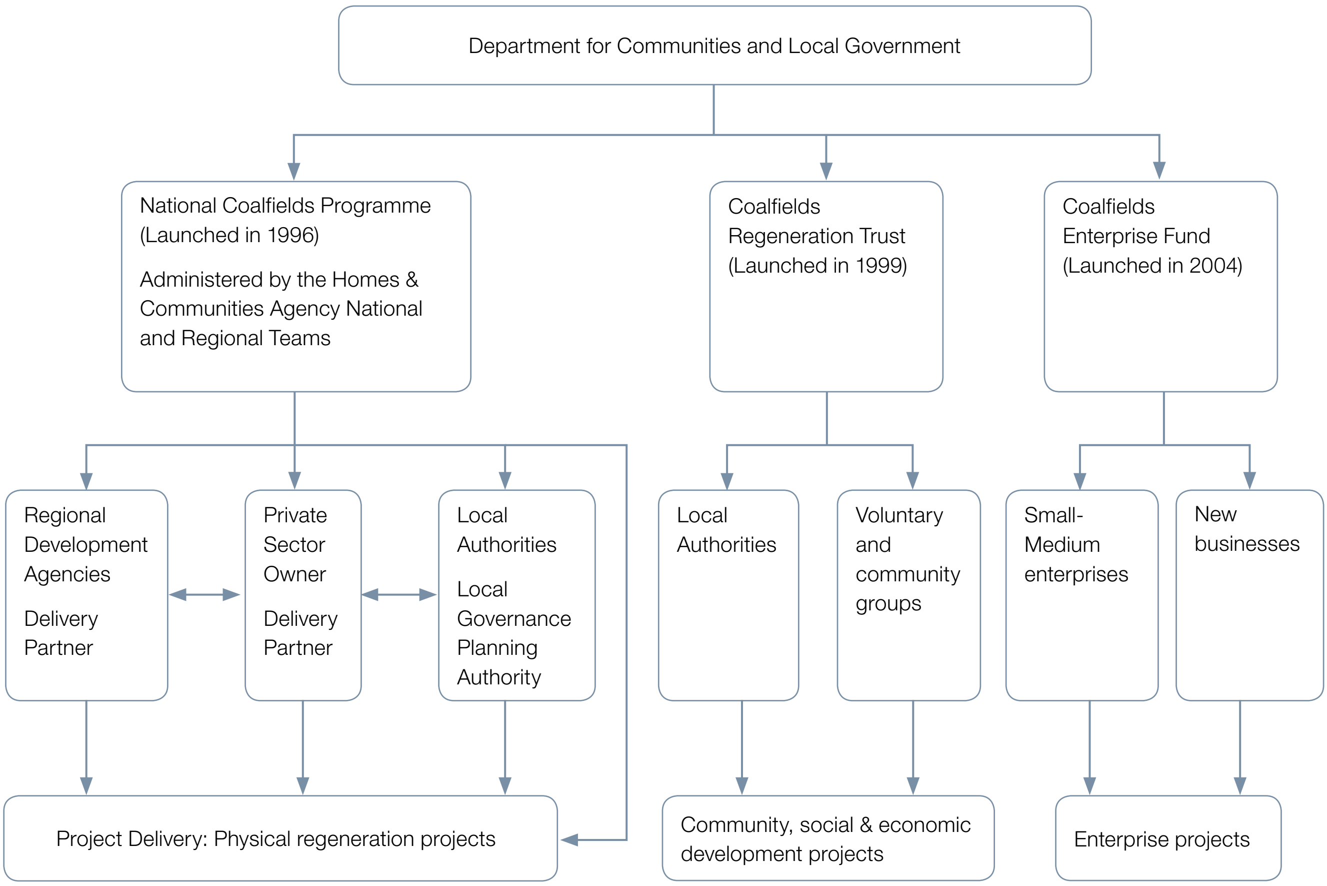
On new uses for former coalfield sites

5 **As of July 2009 the Programme had reduced the proportion of England's total derelict land in coalfield areas from 25 per cent in 1998 to 11 per cent in 2007.** It had brought 54 of 107 sites back to working use, either as public space or to enable private development of a total of 2,700 houses and 1.1 million square metres of employment space.

1 *Twenty Years On: Has The Economy Of The Coalfields Recovered?* Centre for Regional Economic and Social Research Sheffield Hallam University March 2005.

6 The Department increased the number of sites in the programme to 107 from 57 and the expenditure to £876 million from £386 million, but has not changed its targets as new sites have been added. The Department has not adjusted significantly its targets for the expected benefits of the Programme (such as employment floor-space built or private investment levered in) from 1998, even though it is treating more sites and has more than doubled spending. The Programme has largely recouped cost increases by selling sites to private developers, but falling land prices will mean fewer receipts, and net spending could increase. The estimated net cost of the Programme of £542 million is dependent on it achieving total sales of £334 million, and its net spending is expected to peak at £615 million in 2014-15.

Figure 1
Delivering the national coalfields initiatives



Source: National Audit Office analysis

7 The Programme expects to have treated 90 per cent of former coalfield land by 2012, but it will take twice the original ten year timescale to achieve the aims in full. It underestimated the work needed to treat sites, and new environmental legislation meant the original timescales for the sites were unrealistic. The Programme did not set interim milestones to monitor progress against, and it has the same target completion date for all sites irrespective of their date of inclusion. As at July 2009 the Programme had still to approve plans for 11 sites, including four included in 1996. It expects to achieve its target to attract £1 billion of private expenditure by 2011. It will not achieve its target to build two million square metres of employment floor-space until at least 2017, 21 years after the start of the Programme. The economic downturn has slowed demand to develop employment floor-space and contributed to the delay.

8 There has been over reporting of the benefits attributed to the public sector. The Homes and Communities Agency claims all the benefits from coalfield site developments against its targets irrespective of the scale of public sector expenditure, on the basis that the outputs would not have been achieved without its intervention. In some cases, both the Regional Development Agencies and the Homes and Communities Agency separately claim all the benefits against their own targets.

On the Trust

9 As at March 2008 the Coalfields Regeneration Trust had funded around 3,000 community projects at a cost of £160 million to help 14,300 people find employment, train an estimated 7,900 people in an NVQ2 level qualification, and build or enhance 2,300 community centres as well as a wide range of social activities.

10 The Trust has exceeded most of its targets, but its funding criteria are broad and its activities could be better targeted. There are few restrictions on the type of organisation the Trust can fund, it has broad targets and it makes awards to projects on a first come first served basis. Some areas may not get the support they need. Spending on Trust employment projects for each job lost is £61 in the North East coalfield areas, but only £37 in the North West despite higher levels of unemployment. Since the Trust cannot offer long-term support there are risks to the sustainability of many of the projects supported.

On the Fund

11 As at April 2009, the Fund had invested £6.5 million in 24 companies employing 312 people, and had realised £3 million from its investments.

12 The £10 million Coalfields Enterprise Fund took a long time to set up and its impact has not yet been evaluated. While other similar funds were put in place within two years, the Department took five years to put the Fund in place because of protracted and unsuccessful negotiations with a private bank, and delays in securing state aid, in part because it appointed a fund manager without the necessary financial services accreditation. In 2009, the Department announced it would increase the funding available to £20 million from an initial £10 million, with a further £10 million to be matched by private sources. It is 40 per cent less than the £50 million required to meet the need identified by a Government Task Force in 1998. The Department has not set clearly measurable objectives for the Fund (an issue also identified in our report on Venture Capital support to small businesses)[2] or evaluated the contribution of the Fund, and there is a risk it is not addressing the particular venture capital needs of the coalfield communities.

On coordination

13 The Department should better integrate the initiatives to maximise the benefit of their interventions. There is no overall strategy for coordinating the three key strands of coalfield regeneration. The Department launched the initiatives at different times and each has its own aims and objectives: the coalfield sites are not targeted, they are the portfolio of former coalfield sites transferred with a duty to remediate them to meet required standards; the Trust has the flexibility to determine its own priorities and uses deprivation data as a criterion for selection; and the Fund's primary aim is to demonstrate good investment opportunities in former coalfields areas. The Programme and the Trust have introduced collaborative pilots in eight areas, suggesting they are capable of integration.

14 The initiatives are not incentivised to work together. They report separately to the Department, work to different timescales, account for outputs differently, have different target areas, and consult with communities separately. In practice few coalfield communities are offered training directly targeted at jobs created on redeveloped sites, and some businesses expanding into sites are unaware that growth funding exists. In some areas former coalfield sites are redeveloped where local communities do not qualify for Trust funding. A forum to coordinate efforts across Whitehall has only met six times, is poorly attended by Government departments, and has no substantive actions to date.

15 These findings on the Department's oversight and programme management echo similar points made in our reports on other programmes run by the Department. (See Online Appendix 1 at www.nao.org.uk/coalfields09)

On impact

16 Land remediation has helped to make coalfield areas more attractive places to live and work, and helped to attract new residents and employers.

17 The initiatives have contributed to job increases in coalfield areas to close the gap on national averages. The coalfield initiatives claim to have helped create between 9,000 and 16,000 new jobs and provided advice to help 14,300 people find employment. We found that since 2002-03 the initiatives have helped to close the gap on national averages with 8,000 more jobs available in coalfield areas than might have been expected from national trends.

2 *The Department for Business Innovation and Skills: Venture capital support to small businesses*, National Audit Office Report HC 23 2009-10.

18 Levels of unemployment have fallen but hidden unemployment and deprivation remain. Large reductions in levels of unemployment in coalfield areas have mirrored national changes and were largely achieved by 2000, before the initiatives were significantly under way. In response to pit closures a large number of people fell into 'economic inactivity', reflected by a surge in incapacity benefits claimants. In 2008 around eight per cent of the English population lived in coalfield areas but 12 per cent of all incapacity benefits claimants, some 246,000 people, came from those areas.

19 Some employment opportunities created from the Programme may not have helped reduce deprivation in neighbouring coalfield areas. Despite the initiatives, 37 per cent of coalfield areas were ranked in the most deprived quartile in 2007. Emerging data suggests that coalfield areas have been more badly affected by the economic downturn, raising issues over whether the Programme has addressed the need for increased diversity of employment in the coalfield areas.

Conclusion on value for money

20 By bringing former coal pit land into new use, the National Coalfield Programme has helped to make many former coalfields communities more attractive places to live and work, and helped to underpin regeneration whilst the Coalfields Regeneration Trust has helped to boost coalfield communities' social capital.

21 However the Value for Money of the initiatives has been limited by weaknesses in the Department's oversight and programme management. Despite doubling the number of sites to be remediated and more than doubling the associated expenditure in the light of the remediation required, the Department did not significantly change the target benefits and achieving those benefits in full will take twice the ten-year timescale of the original programme.

22 The Department accepts that in the early years it did not play a sufficiently strong role in bringing together the elements of the programme and as noted in paragraph 27 it is now committed to taking action to better lead and coordinate coalfield regeneration. Opportunities for smarter working locally and across Whitehall to coordinate physical regeneration with enterprise and skills initiatives have been missed. While areas closest to redeveloped sites have benefited from more job opportunities, the wider impact of the £630 million spent to date is less obvious. Around 100 coalfield areas have moved out of the severely deprived category since 2004, but 1,000 coalfield areas remain.

Recommendations

23 To improve design and control of future programmes where there are multiple initiatives with overlapping aims, the Department for Communities and Local Government should:

- Establish mechanisms to bring together common interests and exploit synergies between them.
- Achieve better integration by incentivising separate agencies to work together through common goals.

24 To maintain the relevance of targets for future programmes the Department should:

- Review targets at regular intervals so they remain stretching, relevant and appropriate to measurement of performance against the objectives of the programme.
- Formally review targets where emerging information, such as changes to environmental regulations, affects the potential of a programme.
- Increase targets in proportion to increases in the scope or scale of a programme.

25 To improve accountability, transparency and reporting Departments should:

- Agree and apportion benefits between bodies where more than one public agency claims the benefits of the same public expenditure.
- Disclose more clearly the public contribution to jobs primarily created by private partners.

26 To get better value for money from the £120 million of coalfield funds still to be committed to projects and the substantial benefits still to be achieved over the next decade, the Department should take immediate steps to:

Better lead and coordinate Coalfield regeneration:

- Establish a Coalfields Delivery Board to exercise control over the separate coalfield initiatives wherever there are separate but related projects to maximise benefits from their alignment or integration.
- Articulate a clear overarching aim for coalfield areas that puts people as well as coalfield sites at its heart.
- Develop an overarching strategy which addresses the need to:
  - further reduce the number of coalfield areas categorised as severely deprived;
  - achieve better consistency of support between the coalfield areas and focus uncommitted investment onto the most deprived areas;
  - support local people to access job opportunities for all sites; and
  - provide stewardship of the outcomes expected for coalfield communities up to 2020.
- Turn the Coalfields Forum into an effective Whitehall Delivery Board with clear terms of reference. Membership should be Whitehall only and the Department should engage directly with individual departments to resolve specific issues.
- Create a National Advisory Group of Agencies, Local Stakeholders, and Interest Groups to inform the forum of local priorities.

Improve performance measurement and monitoring:

- Review the continuing relevance of the targets in light of the changing economic climate and fortunes of coalfield communities.
- Reprofile the targets to better reflect the increased spending and scope of the Programme. In particular the target for Private Sector Investment should be increased in proportion to the increase in gross public sector spend. The target for housing should be increased so it remains stretching compared to forecasts.
- Allow for optimism bias in forecasts when setting targets.
- Set annual milestones to monitor progress towards targets and challenge variances, taking action to maintain delivery where necessary.
- Define clear objectives for the Fund including the rate of return required to stimulate interest from other investors.
- Evaluate whether the Fund is addressing the particular equity needs of businesses within the coalfields.

Improve information to support decision-making:

- Evaluate the additionality of the programme based on a representative survey of programme beneficiaries to inform appraisals for new projects.
- Monitor occupancy rates on sites to identify whether sufficient jobs are created, and identify whether nearby site developments are needed.
- Use value for money benchmarks for all coalfield projects.
- Develop more sophisticated housing and employment benchmarks based on directly attributable costs so estimates are not skewed by unavoidable costs to treat contaminated land.

27 The Department has already indicated to us that it is committed to positive action in response to the recommendations and it has already taken action to implement the recommendations to better lead and coordinate coalfield regeneration identified in paragraph 26.

Part One

Introduction

The regeneration challenge of the English coalfields

1.1 The former English coalfields are one of the largest regeneration challenges to face the country over the last 30 years. Over 190,000 people lost their jobs in coal mining between 1981 and 2004 – representing more than one quarter of total male employment in affected communities. Coal communities developed in largely rural areas, with less extensive transport links and few options for employment in other industries. The extent and speed of pit closures resulted in severe economic, social, and environmental deprivation in many communities (**Figure 2** overleaf).

The coalfields initiatives

1.2 Whilst there had been growth in replacement jobs and European initiatives aimed particularly at physical development and inward investment, by the late 1990s the coalfields as a whole still had a substantial job deficit and a legacy of physical dereliction, relatively high levels of poor health, low educational endowment, and a weak enterprise culture.

1.3 The special nature of the regeneration challenge in the coalfields led to the establishment by the Government of the Coalfields Task Force in 1997. The Task Force recommended an increased focus on problems in the coalfield areas by generic regeneration programmes and mainstream local service providers, but also by more specific initiatives and funding targeted at the former coalfields.

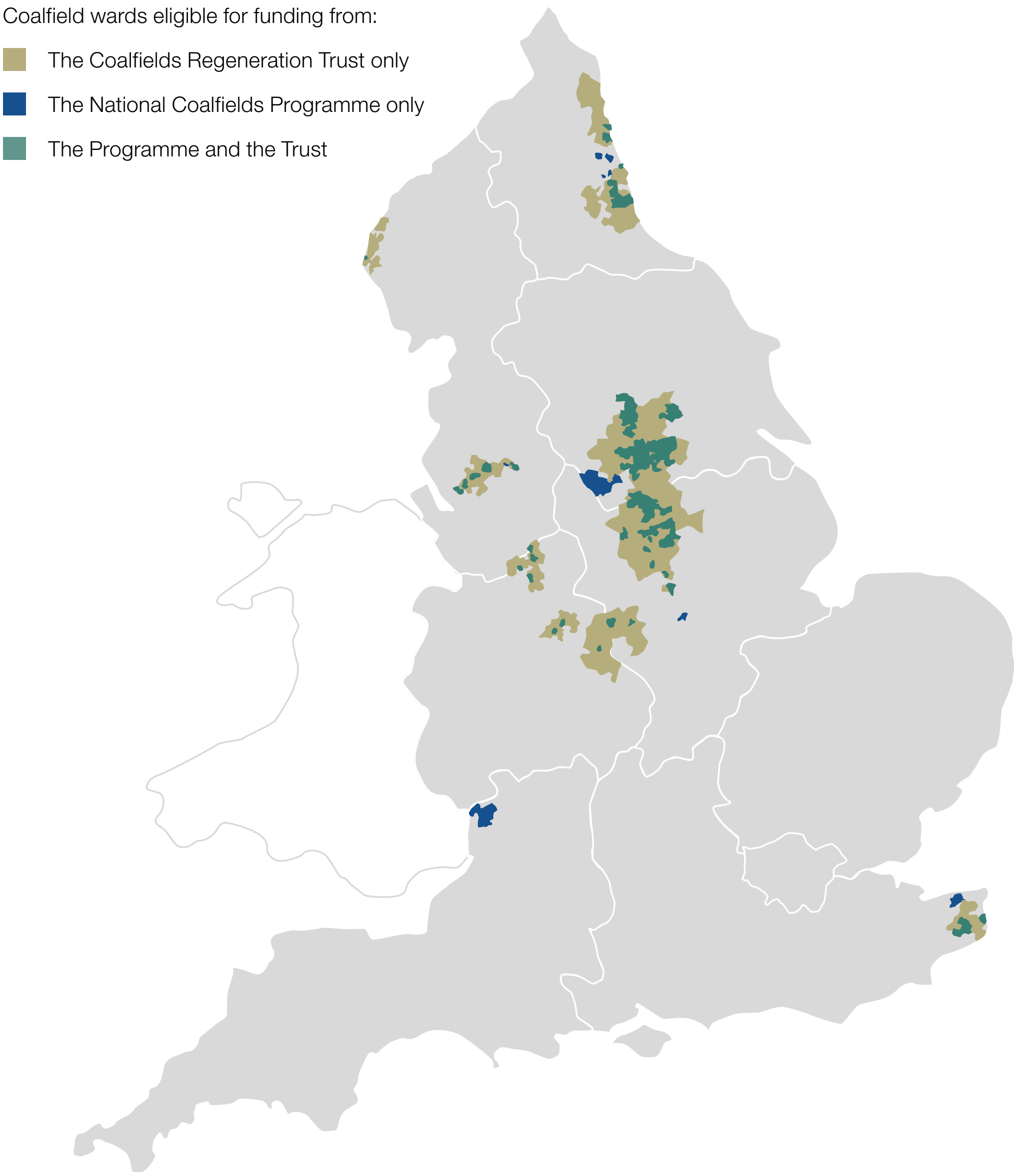
1.4 In response the Government has developed three specific initiatives exclusively devoted to regenerating the coalfields:

- Expansion of a Programme set up in 1996 to find new uses for coalfield sites. The Department extended the National Coalfields Programme on a further five occasions between 2002 and 2007 to cover a total of 107 sites across seven regions.

- The creation of a Coalfields Regeneration Trust, to provide grants to improve former coalfield communities' access to employment opportunities; education and skills; health and well-being; and to support sector development and enterprise.

- The creation of an Enterprise fund to provide venture and development capital to small and medium sized enterprises in the former coalfields.

Figure 2
Map of areas eligible for support from the coalfields initiatives



Source: National Audit Office analysis of data from the Homes and Communities Agency and the Coalfield Regeneration Trust

1.5 In total the three initiatives involve a commitment of almost £1.1 billion of public expenditure. The majority, some £876 million, is expected to be spent on coalfield sites, while the Trust has lifetime funding of £190 million and the Fund has £20 million at its disposal.

1.6 The aims and focus of the initiatives are set out in more detail in **Figure 3**, together with an example of the type of support provided by the initiatives in the former coalfields area of Bickershaw in Lancashire.

Scope and methodology

1.7 The report examines the progress and impact of the Government's three specific initiatives in England to tackle coalfields regeneration. There are many other regeneration initiatives and mainstream local delivery bodies such as local strategic partnerships, which play a key role in tackling the problems of the coalfields. Our report does not seek to evaluate their work, but does consider how the three national initiatives work alongside those efforts.

1.8 Our methodology is summarised at Appendix 1. A more detailed methodology is provided at Online Appendix 2 (www.nao.org.uk/coalfields09).

Figure 3
Aims of the coalfield initiatives and example of work

Coalfield Initiative	Aims and Target Groups	Example of work in Wigan
The National Coalfield Programme	Assists former coalfield communities at 107 sites across England by creating employment space, homes, leisure facilities and public space. Sites with more value subsidise those requiring greater investment, thereby reducing overall net public expenditure. The Programme expects to spend £876 million and generate receipts of £334 million. The net cost will be £542 million.	In the Bickershaw area of Wigan, the Department and HM Treasury have approved investment of £38 million to clean up the former colliery site to deliver employment space, jobs and housing.
Coalfields Regeneration Trust	To make coalfields more sustainable, prosperous, viable and cohesive. The Trust focuses its £190 million spending on four themes: access to opportunities; education and skills; health and well-being; and sector development and enterprise. Projects are developed and delivered by the applicants and the Trust monitors progress.	The Trust has awarded a total of £685,000 to 11 projects around Bickershaw delivering a range of services including skills development and sports facilities. It awarded £479,000 to extend the Higher Folds Community Centre to accommodate business space, room hire and computer facilities. A £1.5 million pilot partnership project with the Programme and Wigan Council will assist over 1,000 residents in skills development, 300 people into work and a further 160 people to participate in healthy lifestyle activities.
Coalfield Enterprise Fund	The £20 million Fund aims to create new small to medium enterprises in coalfield communities, and to encourage existing businesses to expand by providing funding of up to £500,000.	The Fund has invested a total of £1.2 million in four businesses near Bickershaw specialising in electronics, construction and pharmaceuticals.

Source: National Audit Office analysis of data from the Homes and Communities Agency, the Coalfields Regeneration Trust and the Coalfield Enterprise Fund

Part Two

Finding new uses for former coalfield sites

The original timescales were unrealistic

2.1 In 1998, the Department set a target for the National Coalfields Programme (the Programme) to find new uses for 86 former coalfield sites by 2007. The Programme took longer than expected to start, and by March 2002 (five years into the Programme) the Department had spent £159 million, around 81 per cent of its £196 million budget for the period 1999 to 2002. Initial spend was lower than expected because:

- The Department prioritised sites with substantial private developer interest that required little public finance, helping to create 2,957 jobs by March 2002.
- It took on average 4.5 years to establish and transfer ownership of the sites, introduce site security, and then to survey the sites and obtain planning permission before work could begin.
- Transfer of local delivery responsibility from the national regeneration agency English Partnerships to the Regional Development Agencies in 1999 reduced momentum.
- The Programme has a lifetime budget and is not penalised if spend is low in any one year.
- Environmental legislation introduced in 2000 and 2002 increased the regulation.

The Programme will take some 21 years to realise all its intended benefits

2.2 By July 2009, the Programme had returned 54 sites to working condition and work was underway on a further 22 sites. Of these 76 sites, private developers had built houses and employment space on 44. On eighteen sites, 800 hectares not suitable for development of houses or employment space have been turned into public open space for recreation and leisure.

2.3 Of the original 57 sites, it had completed its work on 36 sites (63 per cent), but physical work had not started on four (seven per cent). Of 22 sites underway as at July 2009, 12 had been in the Programme for more than ten years. The time needed to remediate each site is difficult to predict because:

- Compulsory purchase of land or buildings can delay sites for 3-18 months.
- The full scale of contamination is sometimes not known.
- Supplying information to support a planning application can take 6-12 months, and resubmission of a refused application can add 12-24 months.
- Obtaining approval from the Agency, the Department and HM Treasury to fund projects over £10 million can add six months or more.
- Removal of protected wildlife living on sites can add 6-18 months.

2.4 The Programme has not established interim milestones to monitor progress against national targets. Progress towards targets is shown in **Figure 4**. Most progress has been made on bringing land back into use. Decontaminating and cleaning up sites is a necessary precursor for developing new uses for many of the sites.

Figure 4
Progress towards targets for the National Coalfields Programme

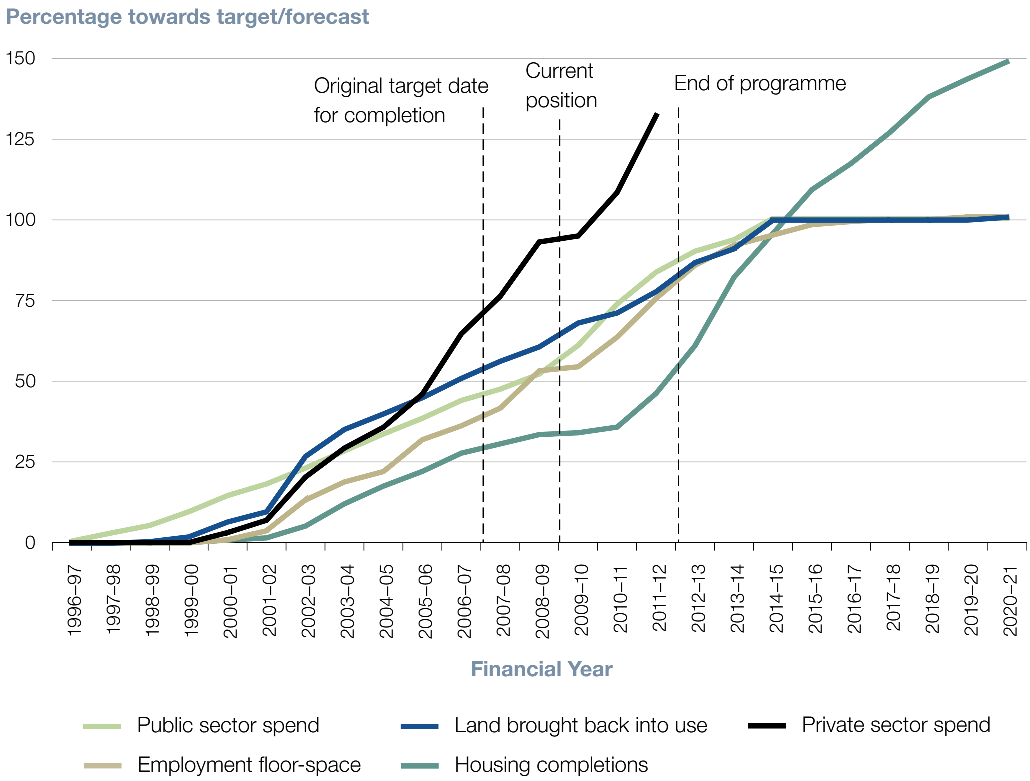
	Hectares of land brought back into use	Square metres of commercial floor-space created	Number of jobs created	Number of houses built	Private Sector Investment levered in (£m)
Target by 2012	4,000	2,000,000	42,000	8,000	1,000
Progress (December 1996 to July 2009)	2,548	1,092,224	18,558	2,677	949
Percentage achieved	64	55	44	33	95

Source: National Audit Office analysis of Homes and Communities Agency data

2.5 More progress has been made on developing commercial floor-space than housing. Over one million square metres of employment workspace on 41 sites has been created.

2.6 To July 2009, the Programme has built 2,677 houses over 11 sites. The Programme is expected to exceed its private sector investment target by 2011, and to have reclaimed 90 per cent of land by 2012, but housing targets will not be realised until 2015 and employment floor-space targets until 2017, 21 years after the start of the Programme (**Figure 5**). The economic downturn has slowed demand for housing and employment floor-space and contributed to the delay.

Figure 5
Time profile of physical outputs on sites



Source: National Audit Office analysis of Homes and Communities Agency data

Despite adding sites to the programme and extending the deadline, the Department's targets for the Programme have remained unchanged since 1998

2.7 The Department has expanded the Programme on six occasions between 1998 and 2007 (**Figure 6**). The Department has not changed significantly the national targets for benefits to be delivered by the Programme since the first expansion in 1998, although it has extended the life of the Programme to 2012. It has the same target completion date for each tranche of sites irrespective of when they were added.

There has been over reporting of the benefits attributed to the involvement of the public sector in the Programme

2.8 Some sites in the Programme are attractive to private sector developers with minimal public sector involvement. The Department claims all benefits from coalfield site developments against its targets irrespective of the scale of public sector support or expenditure, in accordance with Government guidance. On seven sites where the private sector has paid for the entire redevelopment, the Programme has taken credit for 228 houses, 44,000 square metres of employment space and nearly 1,400 jobs created. In total 75,000 square metres of employment space will be built on sites where public spending is zero.

Figure 6
Timeline of changes to the Programme

December 1996	The Department creates the National Coalfield Programme to reclaim 57 British Coal sites using a lifetime budget of almost £350 million.
June 1998	The Coalfields Task Force recommends 29 sites from outside the British Coal portfolio, including 11 privately owned sites, are added to the Programme. The Department increases funding to £386.5 million, and establishes targets based on the expected outputs from all 86 sites.
March 1999	English Partnerships transfers ownership of the sites to the newly created Regional Development Agencies.
March and September 2002	Twelve sites are added to the Programme in two stages, but no changes are made to funding or targets.
November 2002	Two working sites in Selby are closed and added to the Programme.
March 2004	The Department extends the Programme by five years to 2012, and announces the budget will convert to a net figure to recycle an expected £232 million in land receipts.
November 2004	One site is added to the Programme.
March 2007	Six sites are added to the Programme.

Source: National Audit Office analysis of Homes and Communities Agency data

2.9 Whilst the benefits of the Programme are regularly reported to Parliament, in some cases both the Regional Development Agencies and the Homes and Communities Agency have separately claimed all the benefits associated with the development of sites against their own targets, and have not clearly stated this in their annual reports. Departmental guidance has not been sufficiently clear and some over-reporting has resulted.

The overall cost of the Programme has risen markedly

2.10 Between December 1998 and July 2009 the expected costs of the Programme have increased by over 150 per cent, despite only a 44 per cent increase in the hectarage of land being treated by the Programme (**Figure 7**). The original public sector expenditure budget for the Programme (in 1998) was £350 million. In 2004, to allow for the additional sites included in the Programme, the Department announced that the Programme would reuse income from land sales bringing the total expenditure to £539 million. In March 2007 the Department expected that the total cost of the Programme would be £647 million. This was revised in July 2009 to £876 million, £229 million more than the Department's estimate two years earlier.[3]

2.11 Costs are difficult to predict on highly contaminated sites. Reasons for recent cost rises include:

- The full costs for five sites have been calculated (£85 million).
- Insufficient information about environmental liabilities when the Programme inherited sites (£71 million).
- More accurate calculations of lifetime maintenance costs of public open space (£21 million).
- The Homes and Communites Agency has allocated additional funding for the most deprived areas (£20 million).
- Changes to project scopes (£11 million).
- Six sites added to the Programme in 2007 (£11 million).
- Site maintenance costs are incurred for longer periods when there are delays (£4 million).

Figure 7
Increase in the cost of the Programme to the public purse

	Net public expenditure (£m)	Total receipts (£m)	Total expenditure (£m)	Number of sites in Programme	Hectares of land to be remediated
December 1998	350	0	350	86	2,864
March 2004	307	232	539	100	3,637
March 2007	387	261	647	107	4,046
July 2009	542	334	876	107	4,046

Source: National Audit Office analysis of Departmental data

3 *Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes*, Communities and Local Government, March 2007.

2.12 Recently, the economic downturn has slowed private interest in developing sites and income from the sale of sites is falling. To help maintain delivery, the Homes and Communities Agency is taking a more flexible approach to payment structures for treated sites to assist developers' cash-flow problems and stimulate development. Expenditure to remediate sites occurs before these receipts are generated, and the Programme expects its exposure to peak in 2014-15 at £615 million, £73 million above the forecast lifetime expenditure of £542 million.

The Programme's appraisal of the value for money is not consistently applied

2.13 The costs of benefits achieved by the Programme vary considerably between sites and depend on the level of contamination, size and potential of the site, and the level of private interest (see **Figure 8** overleaf).

2.14 Homes and Communities Agency projects involving public expenditure of more than £10 million, or complex, novel or contentious projects are subject to economic appraisal.

2.15 In assessing the value for money of particular projects, the Homes and Communities Agency usually benchmarks the costs of benefits expected against an expected range for regeneration projects. Benchmarking contaminated sites with multiple outputs can be complex. The Agency did not compare the cost of reclaiming land with any benchmarks for six of 38 projects it appraised. The sites were appraised before the Agency developed meaningful benchmarks in 2005. These six projects were worth £50 million. We compared the cost of four projects, worth £27 million, to benchmarks where the appraisals contained sufficient information to do so. Two sites worth £8 million in total exceeded the benchmarks, including one site, worth £3 million, where the cost of treating the land was over three times the benchmark.

2.16 The range of the Agency's benchmark for cost per job is so wide that the total cost of the Programme could range between £340 million and £1,440 million, and still be considered value for money. This latitude was illustrated by our findings at the sites we visited where the cost of each job ranged from £8,000 to £145,000. The range is broad because the level of contamination can significantly distort the overall costs, and the Programme does not benchmark the direct costs relating to employment space.

2.17 The estimated Programme cost of each additional job is between £28,000 and £46,000 of public money for each job created or safeguarded. It is not possible to estimate the exact cost per job because the Department has claimed all jobs brought to sites, and has not established if jobs are genuinely new or if they benefit coalfield communities. The estimate is broadly comparable to the Agency's benchmark range of £16,600 to £42,000 for projects of this type, and the average cost of £42,000 for 32 similar Regional Development Agency projects to bring land back into use (although costs may also vary depending on the type of jobs created).[4]

4 Department for Business, Enterprise and Regulatory Reform: Impact of RDA Spending National Report March 2009.

Figure 8

Illustration of factors impacting on the cost of redeveloping coalfield sites

Degree of contamination affects cost

Low ← **Contamination** → High

Private interest affects outputs

Low ↑ **Level of Private Interest** ↓ High

Site location affects potential

Low ↑ **Desirability of Location** ↓ High

Debdale Lane near Mansfield Debdale Lane is a five-hectare site accessed by a track shared between landowners, each with a right of way. The site is not contaminated and remediation is not needed. The Programme has spent £174,000 to date and plans to spend a further £101,000 to deliver the output of four housing units. The site is unattractive to private developers because it has a number of owners with differing leases, it is surrounded by private land, and there is no public road to access the site.	**Avenue Coking Works near Chesterfield** The waste from the coking works was retained on the 98-hectare site in lagoons and a waste tip. The land is one of the most contaminated in Western Europe. The Programme has spent £46 million on health and safety works, and estimates a further £127 million is required. The site remediation is expected to be completed by 2015. The Programme expects the site will eventually support 750 houses, 3,800 square metres of employment space and 170 jobs.
Woodhouse Farm near Wakefield Woodhouse Farm is 30-hectares of greenfield land and was not contaminated. A private developer bought the land from the Programme, and intends to build over ten hectares of employment space to complement workspace on its adjacent land. The Programme invested £63,000 to service the land and received £12.9 million from the sale of the site. The developer has paid for infrastructure and building costs. The Programme is claiming £41 million of private investment levered in (a ratio of 650:1) and 3,560 jobs.	**Glasshoughton, Castleford** Glasshoughton was a colliery and coke works on a contaminated 139-hectare site near the M1 motorway. Work started in November 1996 and contributed to most of the early outputs for the Programme. The redevelopment is substantially complete and the site includes leisure, retail, education and housing. The Programme has spent £9 million and recouped £15 million from the site. It has provided over 3,100 jobs and 180,000 square metres of employment floor-space.

Low ← **Size** → High

Size affects cost

Source: National Audit Office analysis of Homes and Communities Agency data

Part Three

Supporting coalfield communities

The Coalfields Regeneration Trust has supported a large range of projects

3.1 The Coalfields Regeneration Trust provides funding to community-based projects located in, or directly benefiting, coalfield areas in England, Scotland and Wales. It supports a wide range of projects to create opportunities for coalfield communities, increase education and skills, improve health and well-being, and develop the capacity and enterprise of the voluntary sector. To date the Trust has spent about £160 million supporting over 3,000 projects.

3.2 The Trust has made grants to projects over four rounds. **Figure 9** overleaf shows the Trust has exceeded all but one of its aggregated targets in the first three rounds between 1999 and 2008. The Trust has been more successful in supporting projects that contribute to social capital and skills development, than in direct support of people into jobs.

3.3 A single project can have multiple outputs and most support community groups to engage volunteers and deliver advice or activities to beneficiaries. It is not possible, therefore, to identify the actual cost of each output delivered. As with the Programme, the Trust uses benchmarks to assess the value for money of projects. All the projects we examined were affordable within the Trust's benchmarks. Under its Family Employment Initiative the average cost of £2,150 to help people into work is lower than other government schemes, with the Pathways to Work scheme costing £2,970 per job and the Employment Zones costing £4,770.

The Trust's broad funding criteria allows it to respond to need, but better targeting could achieve a fairer distribution and avoid duplication

3.4 There are few restrictions on the type of organisation that the Trust can support, allowing it to fund activities that other funders will not consider. Project aims may fall within the responsibility of mainstream local service providers such as local authorities and health care trusts. Of 16 projects we examined, two provide support which falls under the remit of other providers. It gave £182,000 to a charity to provide domestic violence advice and £121,000 to an advisory centre to provide sexual health advice.

Figure 9

The Trust's core targets and benefits achieved and spend 1999 to 2008

Funding Category (and spend from April 1999 to March 2008)	Output	Totals April 1999 to March 2008		
		Target	Actual	Percentage
Supporting Communities (£94 million)	Community group participants	762,950	964,324	128
	New volunteers	30,883	42,318	137
	People receiving debt/welfare advice	40,802	41,591	102
	Community groups supported	12,026	16,713	139
	New childcare places	2,272	2,632	116
	Number of access schemes	1,705	2,005	118
Learning Communities (£16 million)	People receiving education or training	50,563	90,490	179
	People receiving qualifications	27,655	31,861	115
Supporting People into Work (£14 million)	People assisted in finding employment	14,458	14,209	98
	Full time jobs of at least six months	2,092	2,298	110
	Jobs protected for at least six months	791	870	110
Enterprising Communities (£7 million)	Enterprises created	690	807	117
Attractive Communities (£1 million)	Community facilities created/improved	1,986	2,237	113

Source: Coalfields Regeneration Trust

NOTES

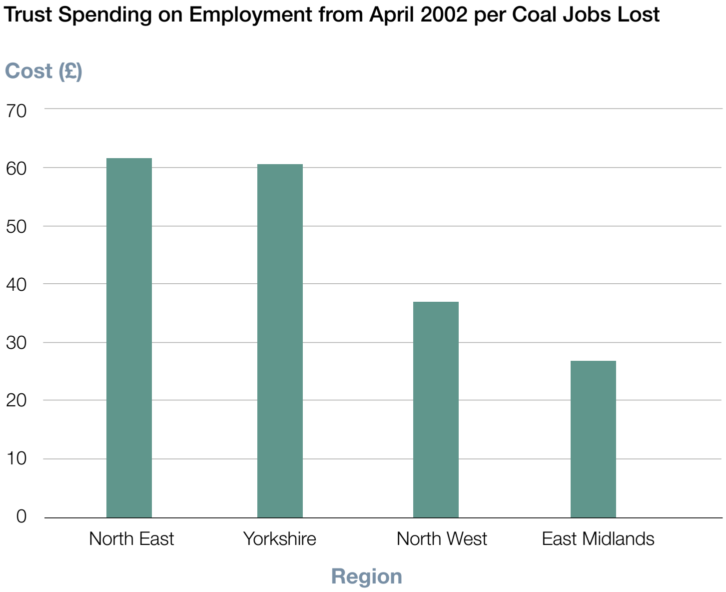
1 The Department did not set targets in Round 1. Targets include the forecast numbers expected for 1999 to 2002.

2 Targets have changed over time to reflect changing needs, but are aggregated here to show lifetime achievements. The Trust also reports 11 'non-core' outputs.

3.5 The Trust is unable to offer long-term support to projects supported because there is a lack of clarity over its long-term future and the level of funding. The Department's strict three-year funding cycles make flexible support of projects impossible. The Trust typically offers projects a maximum funding period of three years, and awards funding on a first come first served basis to maximise the funding duration. As a result, Trust funding runs out by the final year in the cycle, and it is likely that projects offering better value for money have been turned away.

3.6 The Trust's grant programme aims to support groups who respond to local need. Some areas may not get the support they need and other areas may benefit from alternative support from mainstream providers. Our analysis of Trust funding identified that spending on employment projects is higher for each coal job lost in the North East and Yorkshire than in the East Midlands and the North West (**Figure 10**). Benefit claimant numbers are at similar levels in the North West and Yorkshire coalfield areas, suggesting that the North West needs more support from the Trust. Employment spending in the East Midlands is lower because claimant numbers are lower than other areas and the Trust levered in partnership funding of £129,000 for a pilot employment project.

Figure 10
Total Trust spending to March 2008 on employment projects for coalfield communities varies by region



Source: National Audit Office analysis of Coalfields Regeneration Trust data

NOTE
Data is not available for the West Midlands and Kent.

3.7 An evaluation in 2004 recommended the Trust engage more with Regional Development Agencies and Local Strategic Partnerships to achieve better integration and targeting. In response the Trust is spending just under one fifth of its grant (£22 million) on a number of national initiatives to provide strategic support and better integration with other regeneration efforts.

The Coalfields Enterprise Fund took five years to set up and has a smaller amount to invest than was originally intended

3.8 In 1998 the Government's Coalfields Task Force recommended that an enterprise fund of £50 million be established to provide capital investment to businesses within the coalfields.

3.9 In accepting the recommendation, the Government intended that funding would be in place by 1999 but the Fund was not set up until May 2004 because of the need to gain approval from the European Commission on state aid rules, and because the Department initially appointed a fund manager without the financial services accreditation subsequently needed to undertake regulated activities. The five years it took to set up the Fund is longer than comparable funds. Between 1999 and 2006 the former Department of Trade and Industry took between eight and 42 months (23 months on average) to launch five venture capital funds.

3.10 The Department initially allocated the Fund a budget of £10 million, which it expected would be supplemented with between £20 million and £40 million of private investment underwritten by European Commission guarantees. The Department did not carry out any research to establish demand from investors and, while one bank expressed an interest, the Department's expectations proved unrealistic as the European Investment Bank withdrew guarantees, and private sector banks did not want to match the Department's investment, or insisted on conditions which were considered too restrictive.

3.11 The Fund can invest between £40,000 and £500,000 in new or expanding businesses in the coalfields, which must be matched by an equal amount of other public or private funding. Businesses must be based in, or will relocate to, a coalfield area; or draw employees from coalfield areas; or bring other benefits to coalfield areas.

3.12 By April 2009 the Fund had invested £6.5 million in 23 companies employing 312 people and realised £3 million from its investments. Other lenders and investors to projects supported by the Fund have three times more exposure than the Fund, with £21 million invested.

The Fund is a commercial operation, but the Department has not yet evaluated whether it is meeting the venture capital needs of the coalfields

3.13 A venture and growth fund management company, Enterprise Ventures, was appointed to manage the Fund in 2005. It promotes the Fund through different routes, including its website, the regional press, and coalfield conferences. It directly targets around 2,500 industry contacts, but it does not target companies relocating to coalfield sites because it is not privy to this information.

3.14 The Fund is a commercial operation that aims to demonstrate to private funds that investment in coalfield areas can be profitable. Its financial objectives and investment criteria are set out in its governing documentation but are not clearly articulated. The Fund does not have regeneration targets but does report on the number of jobs created. The Department expects to realise a modest return of around four to six per cent on its investment.

3.15 The Fund was initially intended to invest for five years up to May 2009, and then to realise the investments for the next five years. The Department has agreed the Fund should continue investing until May 2014 to help more businesses in the downturn.

3.16 The Department announced in September 2009 it would provide an additional £10 million funding for a new Growth Fund to be matched by £10 million from private sources. Analysis by the Fund administrator estimates that the Growth Fund will generate £40 million of other investment, a ratio of 4:1 on the Department's investment.

3.17 The Department's support for the Fund represents less than three per cent of the Department's total spending on the three coalfields initiatives. Although the Department monitors the use of the Fund on a quarterly basis, it is yet to fully evaluate the contribution of the Fund, and there is a risk it is not addressing the particular venture capital needs of the coalfield communities. Until the businesses are valued and the value of the Fund investment re-appraised, it is not possible to say how well the Fund has performed in financial terms or whether extending the Fund will improve value for money.

The Department has not sufficiently integrated the separate national coalfield initiatives or aligned them with other public spending to maximise benefits

3.18 Scope for closer working between the three national coalfields initiatives was identified both by the Office of the Deputy Prime Minister Select Committee in 2004 and by an independent evaluation in 2007.[5] We found the Department continues to oversee the three coalfield initiatives at arms length, and has not integrated the initiatives to ensure a coordinated approach. The initiatives operate in different locations. The Programme is finding new uses for former coalfield sites in the South West where the Trust does not operate. The plans, targets, reporting and accountability arrangements for each of the initiatives are all separate. The Department has no overarching strategy to coordinate them and decisions are made by the initiatives separately.

3.19 The 2004 Select Committee report and the 2007 evaluation recommended the Department engage with other government departments to enable alignment and commitment from Whitehall to cross government working in coalfield areas. In response the Department set up a Forum through which to work with other government departments.

3.20 The Forum has proved ineffective. Meetings have taken place infrequently with only five meetings in 24 months to July 2009, including just one meeting in 2008. Key organisations do not attend the forum. The Department invited the Department for Business, Innovation and Skills and the Regional Development Agencies, but they have declined to attend. The Enterprise Fund has not been invited because the Department does not believe it would be beneficial. The Forum has been poorly attended by other government departments and has produced no substantive actions to date. At a recent meeting attendees discussed how to make the Forum more productive, and in July 2009 the Department wrote to six government departments[6] asking them to attend a special meeting, now scheduled for January 2010, to discuss how the economic downturn affects coalfield areas and the prospects for recovery.

5 Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes, Communities and Local Government, March 2007.

6 Department for Business, Innovation and Skills, Department for Children, Schools and Families, Home Office, Department of Health, Department for Transport, Department for Work and Pensions.

Opportunities for smarter working within coalfields communities are being missed

3.21 At the local level we found missed opportunities for the Trust to work with the Programme to help train local people to benefit from construction work in redeveloping a site, or to gain the skills needed by employers moving into the employment space created (**Figure 11**). The Programme could also promote the Fund to local businesses moving into employment space on the former coalfield sites.

3.22 The Office of the Deputy Prime Minister Select Committee's report in 2004 recommended that the redevelopment of any site should not go ahead unless programmes are in place to ensure that the benefits are available locally. We found good examples of joint working in Bickershaw and Lambton, but of the 20 site developments we examined nationally, 16 did not have a specific programme in place for local people. The Programme does not monitor the extent to which local people benefit from job opportunities created.

3.23 The Programme and the Trust have introduced collaborative working pilots in eight areas. Family Employment Initiatives in five areas aim to provide targeted one-to-one support to tackle worklessness by working with local organisations to provide help with job searches, curriculum vitae building, and transport to interviews. In four pilot Coalfield Action Partnerships, the Programme and the Trust work with local authorities and other service providers to tailor solutions to local problems for coalfield communities in finding employment, education and skills, health and well-being, and access to opportunities.

3.24 The Programme initially earmarked £20 million for the Partnerships, but has committed only £815,000 because rising costs and declining receipts have put pressure on its finances (see paragraph 2.11-2.12). The Programme continues to support the Partnerships by providing staff time to support and bring together local partnership groups to facilitate regeneration.

Figure 11
Integrating the Initiatives

	National Coalfield Programme (Physical regeneration)	Coalfields Regeneration Trust (Social and economic regeneration)	Coalfields Enterprise Fund (Economic regeneration)
Funding Location	The Programme funds 107 sites located in seven of the nine government regions. There are no sites in the East of England or London. There are six sites in the South West expected to cost £15 million where no coalfield community is recognised by the Trust.	The Trust funds coalfields wards[1] which are in the top 30 per cent of deprived wards. Wards in the South West are not eligible despite the Programme undertaking coalfield site development work.	The Fund awards money to all coalfield wards, including those in the South West.[1] In contrast to the Trust, it does not prioritise coalfield wards with higher levels of deprivation.
Targets	There are overall Programme targets rather than annual targets. The targets are based on the estimated potential of 87 sites included in the Programme in 1998.	Three-year targets agreed between the Trust and the Department. The targets are set through the business plan and are linked to the spending review.	No regeneration targets. The success of the Fund is measured by the return on its investments.
Strategy	The Programme provides annual reports with plans for the next 12 months.	The Trust provides business plans covering the next three years.	The Fund provides quarterly reports to the Department to inform progress discussions.
Risks of operating as three separate initiatives	The Programme develops a site for the area but housing and jobs disproportionately benefit incoming residents or local residents outside target communities. Incoming businesses are unaware of enterprise funding.	Physical redevelopment creates jobs on the site, but the Trust does not know what training to support to help coalfield communities access employment opportunities.	The Fund supports businesses to start up or relocate to coalfield areas, but businesses move into other workspace in the area, unaware of space created by the Programme.
Potential benefits of an integrated approach	Physical regeneration takes account of the location and accessibility of the area as well as the skills and views of the local community. Specific and targeted efforts are made by the Programme and the Trust to help unemployed locals to access new jobs created, both during the construction phase of the redevelopment, and from employment space built on the site. The Fund supports new and existing local businesses moving into the workspace built as part of the physical redevelopment, and helps the businesses to expand. The integrated approach results in greater additionality from the regeneration for the benefit of the local communities.		

Source: National Audit Office analysis of data from the Homes and Communities Agency, the Coalfields Regeneration Trust and the Coalfields Enterprise Fund

NOTE

1 Coalfield wards as defined by Sheffield Hallam.

Part Four

The impact of the initiatives on coalfield areas

The Programme has improved the physical landscape in many areas and developments have brought in new employment and business

4.1 As at July 2009 the Programme had reclaimed over 2,200 hectares of brownfield land. The proportion of England's total derelict land in coalfield areas has fallen from 25 per cent in 1998 to 11 per cent in 2007. Local authorities and other local bodies involved in coalfield regeneration strongly identified the Programme in particular as being fundamental in underpinning the regeneration that has taken place in their areas.

4.2 Environmental improvements through land remediation have helped to transform coalfield areas blighted by mining into more attractive places to live and work. Focus group attendees told us that the redevelopment of ten sites, in Castleford and Seaham, had been successful in promoting and changing the image of coalfield areas and attracting new people, employers and investment. In Seaham attendees told us that regeneration of coalfield sites had been a catalyst for further regeneration, but businesses in Castleford told us that the Glasshoughton development had drawn trade away from the town centre.

4.3 Local people we spoke to viewed housing developments as positive in terms of transforming landscapes and attracting new people to the area. The Programme has built homes targeted at higher value households to give a greater balance to coalfield communities and to attract those whose disposable incomes are likely to have a positive impact on local shops and businesses. Some focus group participants told us new housing was beyond their means. The Programme has so far built just 169 affordable homes between 1996 and 2009 and of 12,800 homes planned to be built in total during the life of the Programme, 1,300 (ten per cent) will be classed as affordable, low cost, or for social rent.

4.4 By 2006 coalfield areas had the same level of commercial floor-space as the rest of England. In 2008 the Audit Commission reported that in coalfield local authorities, commercial floor-space grew 80 per cent faster than the national rate in the period from 1998 to 2006. Development has been skewed towards warehousing. In coalfield areas worst affected by job loss, warehouses make up 31 per cent of commercial floor-space, against 23 per cent nationally.

4.5 There is a perception in some areas that new workspace is not needed and so does not create extra jobs. The Programme develops sites to stimulate the local economy and expects it can take time to attract businesses to a new area. The Programme does not routinely monitor occupancy rates on its developments. For six established sites where data was available, the average occupancy rate was 89 per cent. Two new sites, completed in November 2007 and June 2008, have occupancy rates below 20 per cent because the economic downturn has slowed interest. In 2004 units in the North East and South Yorkshire stood empty because developers benefiting from tax incentives had not found occupiers.[7] We found that one such site in Easington had largely stood empty since 2003, with just 15 per cent of the space occupied in 2009. Uptake has been slow because there are better located business parks in North Tyneside and Sunderland.

The contribution of the initiatives to the increased employment in coalfield areas since 2002-03 is uncertain

4.6 The exact contribution of the initiatives to higher levels of employment in coalfield areas is difficult to estimate because some jobs may have been created by others or happened anyway. Of the 21,600 jobs the three initiatives have helped to create, the Department estimates that around 16,000 (75 per cent) would not have happened without the initiatives. The estimate is based on benchmarks and does not draw on a representative survey of businesses and households to identify whether jobs are taken by people from outside the target area or group, or if jobs have been displaced from other areas, as there was a low response. An evaluation of the early coalfields programmes in 2000 assumed 43 per cent of jobs created are additional to those that would have happened without coalfield funding. Taking both Departmental estimates into account, the extra number of jobs created by the initiatives could range between 9,000 and 16,000.

4.7 While the absolute number of jobs in coalfield areas remains below national averages, the gap is closing. In 2007 there were 978,000 full time employees in coalfield areas compared with 918,000 in 2003. The 60,000 increase is due in part to national factors. If the number of new jobs in coalfield areas followed national trends we estimate that 52,000, rather than 60,000 new jobs would have been created. The deprived nature of coalfield areas means it is likely that job creation would have lagged behind national averages, suggesting the initiatives have helped to create at least 8,000 jobs.

4.8 In 2008 the Audit Commission reported that the buoyant national economy had been the key driver of coalfield growth.[8] National and European funding, and local councils and their partners had supported the renewal of former coalfields, halving the gap with the national unemployment rate from 4.6 to 2.3 percentage points.

7 Coalfield Communities, Fourth Report of Session 2003-04, Select Committee on Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions.
8 Audit Commission Report: *A Mine of Opportunities* 2008.

Job opportunities are concentrated at coalfield sites, but neighbouring coalfield communities do not automatically benefit

4.9 Almost three quarters of all new jobs created in coalfield areas between 2003 and 2007 are concentrated in the wards containing the former pits. Coalfield areas that do not contain a former pit have seen increases in full time jobs, but there are less new jobs in these areas compared to national averages and other deprived areas.

4.10 The Programme may have contributed to a concentration of jobs around coalfield sites. The impact of the Programme more widely within coalfield communities may dissipate due to isolation, poor transport links and community rivalry. Smaller coalfield areas are isolated from one another, and this is exacerbated by poor transport networks in certain areas. Focus group participants spoke of adjacent areas with a 'them and us' outlook. Some felt that coalfield regeneration investment should be focused on core urban centres, which are more accessible and visited more frequently by all communities. Under current arrangements, the Programme may not invest outside coalfield site boundaries unless there is a demonstrable benefit to its developments on site.

4.11 Local people and firms do not necessarily benefit from work created by new firms attracted to former coalfield sites. The Programme has not monitored how many jobs have gone to members of coalfield communities. Jobs are also taken by people moving into coalfield areas. In 2008 the Audit Commission estimated that some 38 per cent of the additional jobs went to non-residents.[9]

Jobs created have benefited people on low incomes and the unemployed seeking work, but hidden unemployment remains

4.12 Income support can be claimed by people on low incomes, working less than 16 hours a week. The number of people claiming Income Support has fallen from 175,000 in 2003 to 160,000 in 2008, faster than the national average. Coalfield areas have witnessed a nine per cent reduction in the number of Income Support claimants since 2003, more than the English average of six per cent, suggesting the initiatives have helped to move residents off Income Support and made it unnecessary for others to start claiming it.

9 Audit Commission Report: *A Mine of Opportunities* 2008.

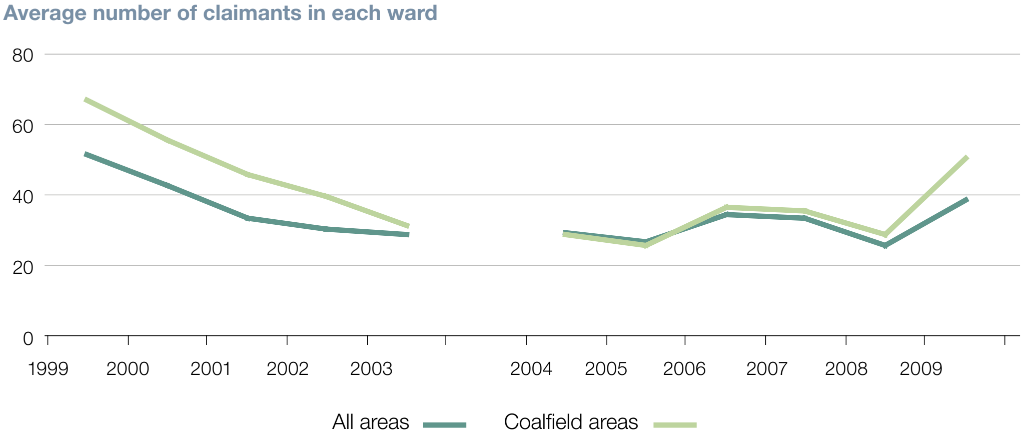
4.13 Unemployment levels have closed on national averages, but largely as a result of economic change rather than the coalfield initiatives (**Figure 12**). Almost 30,000 people claimed Job Seekers Allowance in coalfield areas in 2008. The number of claimants fell most sharply from 61,000 to 33,000 between 1997 and 2000, before the coalfield initiatives were significantly underway. The number of people making claims fell by the same proportion in all areas, suggesting the change was mainly due to national policies and economic conditions, rather than the coalfield initiatives.

4.14 While job growth has helped people actively seeking work, there is a persistent problem with worklessness in coalfield areas. Around eight per cent of the English population live in coalfield areas, but 12 per cent of all incapacity benefits claimants are from those areas. Research by Sheffield Hallam in 1996[10] suggested the principal labour market adjustment in response to pit closures was a large withdrawal of people into 'economic inactivity', reflected by a surge in incapacity benefits claimants. In 2008, 246,000 people of working age in the English coalfields were out of the labour market on incapacity benefits compared to 279,000 in 2003. The 33,000 decrease has largely been achieved by reductions in claimants from 50-59 year olds, possibly as they have reached retirement age.

Figure 12

The number of unemployed in coalfield areas has closed on national averages

The average number of Jobseekers Allowance claimants



Source: National Audit Office analysis of NOMIS data

NOTE
JobSeekers Allowance was reclassified between 2003 and 2004 so exact comparisons between years are not possible. The rise in claimants in 2009 is partly because of changes to eligibility rules.

10 C Beatty and S Fothergill (1996) Labour market adjustment in areas of chronic industrial decline: the case of the UK Coalfields.

Coalfield areas remain deprived despite the initiatives, and the recovery is at risk from the economic downturn

4.15 The Index of Multiple Deprivation 2007 shows 37 per cent of coalfield areas are ranked in the top 25 per cent most deprived areas in England. This represents a three per cent improvement on 2004, when 40 per cent of coalfield communities were ranked in the top quartile. While absolute levels of educational attainment, adult skills, life expectancy, income deprivation and crime have improved, inequalities persist. The gap with the rest of the country has narrowed, but many coalfields remain among the most deprived areas in England.

4.16 The initiatives have been unable to close the income gap with national averages. Coalfield areas have consistently lower wages than the English average. All areas have seen earnings increase between 1998 and 2008, but the gap in earnings has increased from £1,350 a year in 1998 to £1,500 a year in 2008.[11]

4.17 The sustainability of the investment is at risk, particularly in the economic downturn. Since 2003, levels of employment in coalfield areas have benefited from new jobs in:

- The public sector (24,000).
- Construction (14,000).
- Transport and communications (5,000).

4.18 While public sector jobs typically offer higher levels of security than jobs in other industries, construction jobs are at risk as they are temporary for the life of a project and do not offer employees the same level of job security as permanent jobs. Some of the jobs may be as a result of the construction work involved in redeveloping coalfield sites, which is due to finish in 2012. An overdependence on warehouse space (paragraph 4.4) may mean coalfield economies are particularly vulnerable to recession. Emerging data on Jobseekers Allowance claimants in 2009 indicates coalfield areas may be hardest hit by job losses as they have experienced a 50 per cent larger increase in claimant numbers than national averages.

11 Earnings are adjusted for inflation and are quoted in today's prices.

Appendix One

Methodology

Selected Method	Purpose
1 **Examination of Programme and Trust projects**. We visited 37 projects and reviewed documentation with project managers.	To inform our understanding and assess effectiveness of regeneration projects across four regions.
2 **Quantitative analysis**. We analysed the Department's expenditure and outputs against benchmarks.	To clarify total expenditure on the Programme and assess value for money.
3 **Review of programme documentation**. We reviewed the role of the Department in sponsoring and managing the initiatives.	To inform our understanding of the Programme and how it was managed, monitored and evaluated.
4 **Analysis of socio-economic indicators over time**. We looked at the performance of coalfield areas against a range of indicators using time-series analysis.	To understand how coalfield areas have performed against key indicators over a period of time.
5 **Interviews**. Semi-structured interviews with the Department, the Agency, the Trust, the Fund, Regional Development Agencies, other government departments, local authorities and the Alliance.	To establish the views of those delivering the initiatives and of key stakeholders.
6 **Focus groups**. We commissioned Arup to conduct 12 focus groups with business representatives, the voluntary and community sector and the public in four regions.	To gather community views of coalfield projects.
7 **Expert panel**. Discussion of our methodology and emerging findings with six experts.	To critically assess our approach and findings.
8 **Literature review**. We reviewed academic research and policy papers relating to the coalfields.	To inform our understanding of current thinking.

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Design and Production by
NAO Marketing & Communications Team
DP Ref: 009204-001

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ISBN 978-0-10-296335-9

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