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Regenerating the English Coalfields

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

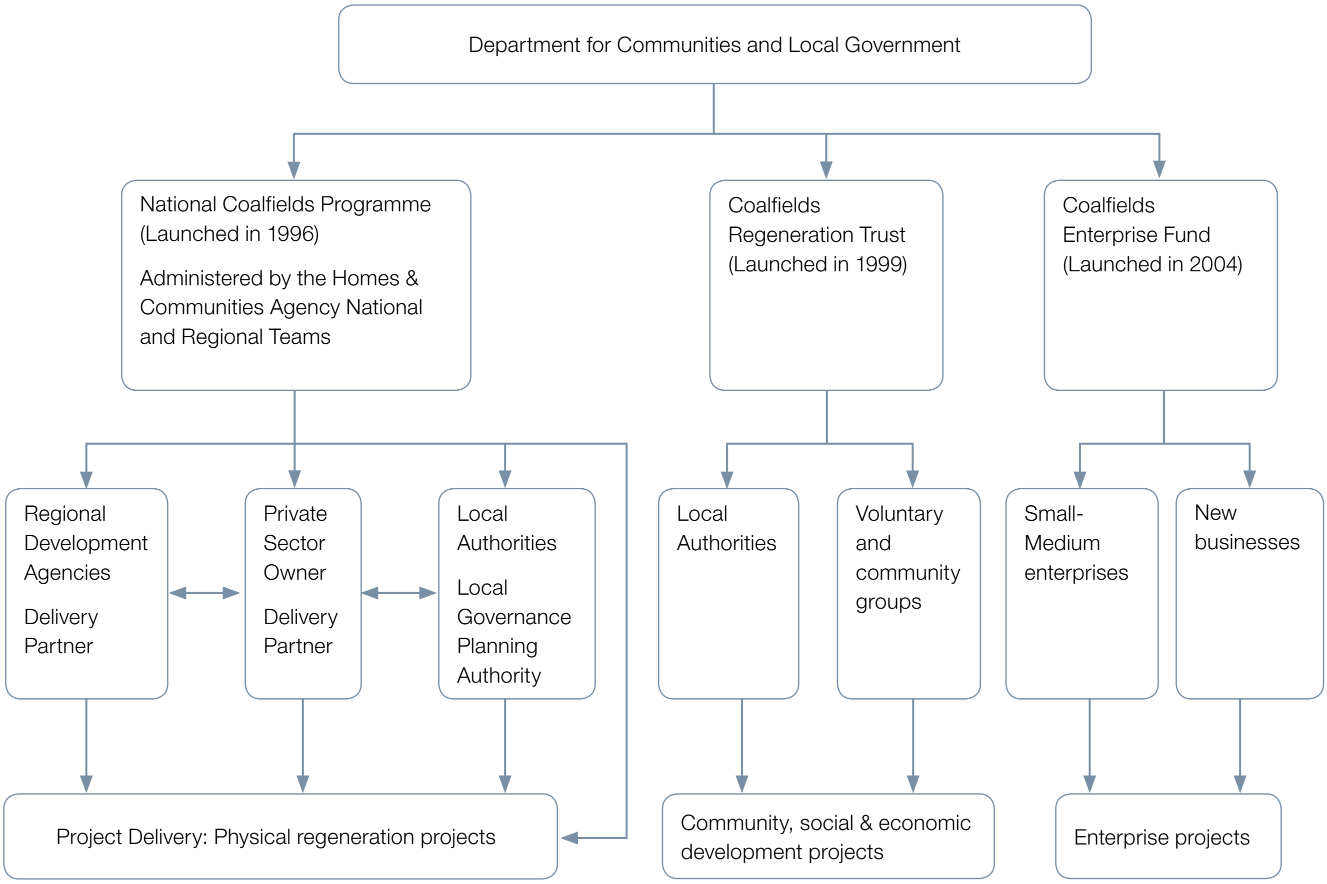
On new uses for former coalfield sites

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.