



The
BOW
GROUP

go zones
policies for the places politics forgot

Introduction

We first started talking, vaguely, about writing a Bow Group piece on inner cities about three years ago. Brett Schundler, the then mayor of Jersey City, New Jersey, had just given a lecture to the Bow Group. If anywhere can be described as a deprived inner city area, Jersey City can. And Schundler is a Republican. Here was a man who was not only saying things we agreed with, but apparently saying – and doing – things that chimed with the predominantly poor, minority people of the city he served: he was making lives better. We talked about it, but nothing happened. At that time, it was all a bit theoretical.

Then, about 18 months later we were galvanised into picking up our pens. We had just had another Bow Group talk, this time from Camilla Batmanghelidj, the inspirational leader of Kids' Company, a not-for-profit drop-in centre for disadvantaged children in south London. After the talk, we asked if a couple of us could go to Peckham to see what happened at first hand. It was only a short visit, but it had a deep impact on us. A lot of the children there were exactly the ones you might cross the road to avoid. But here, in a loving, supportive, relevant and realistic environment, they were starting to flourish.

Many of the kids there had a history of petty crime, some rather worse than that. A lot were from what used to be called 'broken homes'. Yes, there were some pricey clothes, some flashy trainers. But, as Camilla explained to us, this was their *only* outfit; and the trainers are an important symbol of self-reliance (in whatever form) on the street. The most lasting impression was also the most depressing. We saw the art exhibits some of the kids had on display in "The Van", a kind of mini art gallery outside the door. The displays depicted the young artists' own experience of child abuse. They were sickening in the truest sense of the word: we didn't speak for some minutes afterwards.

Many of the themes we heard about that day – the importance of finishing school, reading and writing, the irreplaceability of fathers, the pride that comes from self-reliance – well, they didn't seem out of place with the sorts of things you might read about in a Tory policy pamphlet. But up to now, we'd been using a foreign language to talk about these things, and in many ways we, and others, hadn't seen the current group as a relevant audience.

There are things in this paper you will disagree with. On some subjects, we don't expect to get a happy reading from many Conservatives, let alone across the political spectrum. That's fine. We just think that we, and other right-of-centre groups, need to start saying things about these places, and about those kids. Political monopoly doesn't help anyone. If we can contribute even a little to policies that give new hope to the people of Britain's deprived inner cities – even if we raise more questions than we answer – then we will have done what we set out to do.

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Acknowledgements

We would like to thank the many people who have helped us on this paper, and in particular: Shaun Spiers & Abbie Shelton of ABCUL, the credit unions' association; Malcolm Hurlston of the Consumer Credit Counselling Service; Niall Cooper of Church Action on Poverty; Alan Bell of South-East Northumberland Enterprise Trust; Gareth V Smith RIBA; Sir Peter Lampl & the research staff at Sutton Trust; the staff at Living Streets; Brian Lomas of the Light Rail Transit Association; Paul Watters of the Automobile Association Trust; Andrew Probert of the Countryside Agency; Camilla Batmanghelidj & the staff of Kids Company; Nick Paget-Brown of Kensington & Chelsea Council.

Our thanking them of course in no way implies any endorsement on their part of the content of this paper, nor support for the Conservative party. But we are indebted to them for their help.

About the Bow Group

Since its foundation The Bow Group has had three aims: to promote ideas and debate on the centre-right; to provide a forum for its members to meet and discuss policy; and to provide opportunities to meet political figures of the day.

For more information about the Bow Group, please visit www.bowgroup.org or contact the Chairman, Giles Taylor, on chairman@bowgroup.org.

© 2004 Bow Publications Ltd
1a Heath Hurst Rd, London NW3 2RU

ISBN 0-86129-180-8 RRP £19.50



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From No-Go Zones to Go Zones

Imagine a Place...

They meant well when they built it. It's not one of those 60s tower blocks; most people here live in a house. Most rent, and most of those from the council. You don't know if this is the reason or not, but a lot of other people don't seem to look after their houses that well – and it's not as if they were well built to begin with. This place is pretty ugly in parts. But it's home.

You and your husband both work, full-time at just on the minimum wage. Of course, most people here do work, albeit mostly at low wages. But you get confused when you see these statistics about the lowest unemployment in decades ... as far as you can make out about 1 in 4 of the adults round here don't work – and that's even excluding the full-time mums, pensioners and students. Come to think of it, though, there aren't so many adults; but lots and lots and lots of kids.

Your children are 15 and 13. The eldest is just coming up to GCSEs. You know she should be able to get a few, and one or two good ones, but you're worried she might not get any – that happens with a lot of the kids on the estate. But she's a good girl, and she does at least *go* to school every day (so far as you know); that's more than can be said for some, disrupting school when they are there, just hanging around in gangs all day, making you feel intimidated, when they're not. They can get into heroin quite young round here, and you and all the parents know there's no way out of that downward spiral. You'd think the council, or someone, would put a bit more effort into giving these kids something else to *do*.

There's a parade of shops where a lot of the kids hang out. Or rather they're shop units: only three out of the seven actually have a shop in them; the rest are boarded up. It takes a lot of guts to run a shop here; thankfully at least some still do – even if it does feel a bit like visiting Fort Knox to pick up some groceries. Banks? Forget it.

You've heard you've got a 1 in 5 chance on this estate of being burgled this year. You can't afford all that fancy security, and the lock the council put on the door – well, you could bust that yourself. You really hope you don't get broken into, though. It's not just the intrusion, the defilement, you fear – you haven't got insurance. And you're still paying off the last loan, £12 a week when the man comes round on a Tuesday evening; since he offered to reduce the weekly payment due, the amount outstanding hardly seems to come down at all.

Of course this place wouldn't be so bad if it were easier to get out of! There's plenty of space for parking but very few of your neighbours have a car (no congestion here...). The bus into the city centre (which is, by the way, looking really nice these days) only runs four times a day, so if you miss it you're in trouble.

But you know there's a lot of good people in this place. Good families, good neighbours, people who care. If only someone – the government, the council – was looking out for *them* more. If they'd take the drug trade off the streets, the disruptive kids out of the classrooms, the worst people off the estate altogether – things would look so much better for the rest of you. Then you could start to really build this place up: give the kids pride in passing their exams, create more work, get the gang off the streets, and the police back on them.

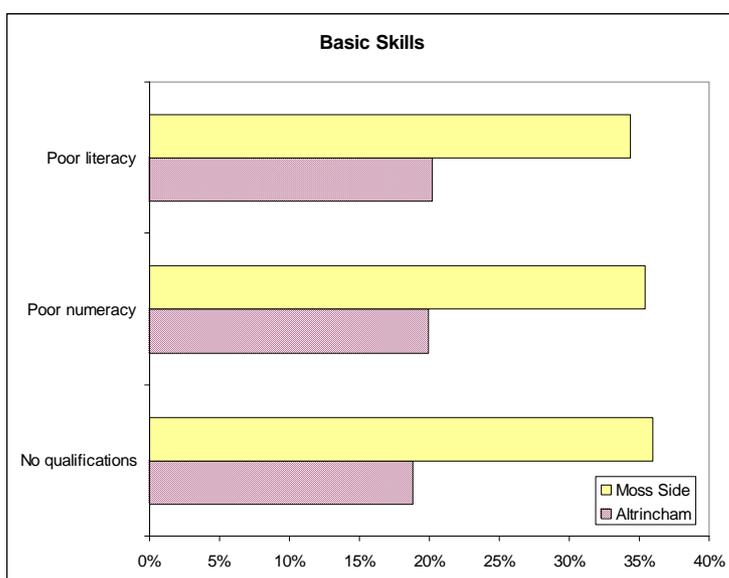
A Tale of One City¹

In most of this paper, we make comparisons between 250 sample inner city areas, and the country as a whole. But to really see the contrast, let's look at two places in the same city – a deprived inner city ward, Moss Side, just south of Manchester city centre; and Altrincham, a relatively affluent suburb on the southern edge of Greater Manchester.

Moss Side is officially the 73rd most deprived ward out of 8,414. Altrincham comes in at no. 5,400.

Although these contrast with each other very clearly, they are not in fact the extremes. There are 22 wards in Greater Manchester officially more affluent² than Altrincham, including 5 in the English top 5% for least deprivation. And, believe it or not, even just in Greater Manchester there are 12 wards more deprived than Moss Side – all in the bottom 1% in the country.

Moss Side has significant problems with drugs and guns – inter-linked of course. Large numbers of children leave school without attaining the government's "5+C+" target for GCSEs³. Each year there are 105 burglaries (that we know about) per 1,000 households. And, despite having a larger population than Altrincham, it has 89% fewer VAT-registered businesses⁴.



There is a massive difference in the profiles of the two populations. Let's start with qualifications and skills.

There is a big gap on literacy and numeracy; and on the count of how many people have no formal qualifications, Moss Side has twice the proportion that Altrincham does.

In fact, one factor that keeps Moss Side's no-qualification figure from being even higher is that there are quite a few students from Manchester's universities living there. That's also a factor in another difference: Moss Side is much younger. But the really significant factor here isn't

students – it's children: 26% of Moss Side's population is under 16, versus 17% in Altrincham. The flip side is in older people. 11% of Moss Siders are 65+; in Altrincham 19% are.

Families are different, too. Two-thirds of Altrincham's over-16s are now, or have at some point been, married. In Moss Side that figure is under half.

Over half of Moss Side homes are socially-rented – and over half of those direct from the council, not a housing association or social landlord.

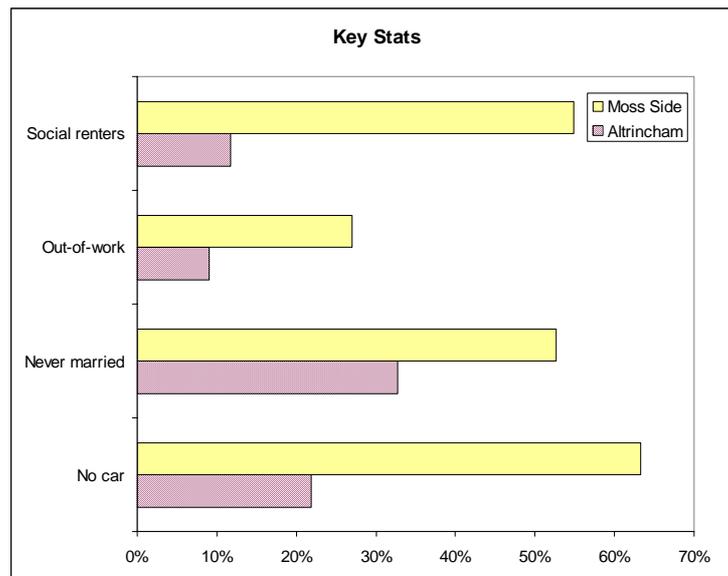
One of the biggest contrasts is worklessness. You'd never guess it from the press releases, but on a wider definition of 'out-of-work', (that includes unemployed, long-term sick/disabled and 'other economically inactive', but excludes homemakers, students & retirees), over 1 in 4 adults in Moss Side is without work, as against less than 1 in 10 in the southern suburb.

¹ All of the data in this section come from National Statistics, most from the 2001 census, with some additional statistics from the Basic Skills Agency; The *Guardian*; DES / Social Exclusion Unit; Govt Statistics Office. We first showed this analysis at the 2003 Conservative party conference in Blackpool.

² Or rather, less deprived

³ Educational statistics for Moss Side can be confusing, because (1) the area is close to Manchester's universities, so there are quite a few *residents* with good A levels and even first degrees, and (2) there are a number of very good schools nearby, with very high GCSE scores – but locals tend not to attend these. In a Dec 1999 report, the DES's lifelong learning web site suggested 96.3% of school leavers *from the area* had failed to reach the 5+C+ target (<http://www.lifelonglearning.co.uk/pat/report.pdf>); even we find this hard to believe

⁴ In fact, the Altrincham level is unusually high



For all the talk of a classless society and equal opportunities, you can see how a youngster in Moss Side starts off at something of a disadvantage compared to a kid from Altrincham.

Now, here's the worrying bit. Moss Side has had probably more attention paid to it – by policy-makers, opinion-formers, social scientists, the lot – than just about any other inner city area in Britain⁵, as a result of the riots of the early 1980s. Imagine the picture if we were examining one of the places that had big problems but didn't riot, and didn't get all that attention.

No-Go Zones?

Thankfully, there are very few real no-go zones in Britain, in the sense of places the police won't go on foot. But many inner city estates *are* no-go zones in the sense that most people wouldn't go there unless they really couldn't avoid it, and in the sense that businesses often avoid setting up there. And, as we shall argue below, some have become largely no-go zones for politics and politicians, too.

Left Behind

For most of Britain, many things got a lot better in the 1980s and 1990s. To prove we're not making a cheap party political point: we'd even say that some things are getting better today (though equally, as you'd expect, we think quite a lot are getting worse). But from the perspective of a rough urban estate, many of those improvements must seem to happen in some parallel reality.

Here are some examples:

- **HOMES.** After many years of right-to-buy and registered social landlords, almost 30% of inner city homes are rented from the council.
- **EDUCATION.** Going on about improvements in the number of children getting 5 or more GCSEs at Grade C or above is hardly relevant to places like Moss Side where often the challenge is to get any at all⁶.
- **JOBS.** The falls in the official unemployment statistics belie the fact that over 1 in 5 residents of the inner city areas we have looked at remain without work on our wider definition⁷. And 35% of the officially unemployed are long-term unemployed; and over 15% of the officially unemployed in these areas have *never* worked⁸.
- **FINANCIAL SERVICES.** There's been a revolution in the financial products available to the middle classes, and a huge drop in interest rates. There have been changes in inner cities, too (at

⁵ with the possible exception of other riot locations such as Toxteth and Brixton

⁶ see earlier note on Moss Side GCSE statistics

⁷ Of those aged 16-74: Unemployed + Long-term sick/disabled + 'other economically inactive' but NOT students, full-time parents or retired people

⁸ These figures are from the BGIC-250 sample. See elsewhere in this paper for details.

least there seems to have been a decline in unlicensed loan-sharking) – but you’re still going to face an APR somewhere between 25% and comfortably into the hundreds.

- **DRUGS.** Heroin is still the ever-present menace, with so many knock-on effects to innocent others in the immediate area and beyond. And just when you think you might be making some inroads against heroin, along comes crack cocaine.
- **GUNS.** Closely related to drugs, thankfully gun violence is still relatively rare in Britain. But it won’t be for much longer in inner cities on current trends. And now it spreads. It was overwhelmingly a London thing. Then it was a London and Manchester thing. Now it’s a London and Manchester and Birmingham thing, with signs of growth in Leeds.

Maybe this is why so few inner city residents vote – as one famous Mancunian once asked: What difference does it make? The 2001 election turnout in Manchester Central was 39.1%, and in Liverpool Riverside a new British record low of 34.1%⁹.

We don’t deny that politicians and policy-makers care about these areas. Of course they do. But it does seem to us that to a large extent their ambition stretches only as far as containment, mitigation of outcomes, not turn-around solutions.

We think the inner cities, the good people that live there, deserve more than that.

A Political Monopoly

The vast majority of inner cities are Labour areas. At least in the sense that Labour gets elected. With turnouts as low as we were discussing above, you can hardly call these strongholds. But the party does seem to have a stranglehold on most inner city councils and parliamentary seats.

When Iain Duncan Smith was leader of the Conservative party he visited Easterhouse in Glasgow. A man leaned out of a window in one of the blocks and shouted down, “You’re wasting your time here. There’s no Tory votes in Easterhouse. This is a Labour place”. “Yes,” said IDS “and look around you”. We know of no better way to summarise the political situation in inner cities.

Labour politicians: you have let these people down. In government, you have had seven years; on some city councils you have had decades.

But alas, but they’re still not voting for *us*. In the same Manchester Central and Riverside constituencies mentioned above, the Tory vote was 9% and 8.4% to Labour’s 69% and 71% respectively. Between those two seats we polled a sum total of 4,470 votes from an electorate of 141,095. That’s 3.2% of the potential votes available.

As a party we too have been guilty. We have known, and we do know, that we need to do more for the people on the disadvantaged estates. But over time, we *look* like we’ve given up on them. And they’ve given up on us.

Part of the problem, surely, is language and tone. Much of what we have to offer is dead-on relevant in policy terms (empowerment & choice, safe streets, enterprise which brings jobs, etc). But sometimes we manage to say it in a way that completely misses the target.

Some examples:

- We have to stop anyone in our party making out that life on state benefits is a bed of roses¹⁰. It isn’t – as Michael Portillo, and Matthew Parris before him, showed. We need to demonstrate empathy with people who are often in dire circumstances before we earn the right to talk about the sort of wholesale welfare reform which will be necessary to achieve lasting social change.
- Every time we say “voucher” we might as well have said “let’s torture kittens” for the reception we get. So why say it? Try “grant” instead. (As it happens, the old university tuition grant was in fact a voucher system – don’t mention that to the Labour backbench).
- We allow ourselves to get pilloried for wanting to ‘privatise’ public services. Take healthcare. There are major ‘private’ healthcare providers that aren’t private at all in the sense of a company with shareholders demanding profits. In fact in some ways they bear more resemblance to a Friendly Society than a PLC. Let’s start talking about the ‘not-for-profit’ sector.

⁹ *The Political Map of Britain*, Henig & Baston

¹⁰ Though the system can seem peculiarly generous on occasion, as hard-working viewers of *Wife Swap* will attest

The Case for Change

Let's be clear: the case for Conservatives taking much more of an interest in policies to assist the inner cities is a principled one. It is not because we are about to start returning MPs for Manchester Central and Liverpool Riverside (we aren't – see above).

The reason Conservatives need to do this is because it's the *right* thing to do. Because people deserve hope, at least. And because electors throughout the country expect us to have ideas relevant for *all* the people of Britain. When we win a bunch of seats on Manchester City Council, that will be a bonus.

If we do need self-interested motives, they also exist. Burglary and other acquisitive crime will be lesser in the suburbs, too. We'll have a better-educated workforce. People running businesses will have more customers. There'll be fewer disaffected people in the city streets, on trains, in parks, at bus stops. Britain will be a better place.

Principles

We put forward seven principles for inner city policy reform:

Be ambitious.

Think not just about containment but about solutions; not just hand-outs, but real hope. There is a huge amount of untapped potential out there; we can harness it to make the country stronger, more economically successful. And *everyone* should have right to live free of physical fear.

Believe that markets work...

In the main, people respond to market signals. If something is cheaper, people buy more of it. If margins are big enough, others come in to sell the product. If you offer £X as a reward for a certain behaviour, a certain number of people will exhibit that behaviour.

...but the market is our servant, not our master.

Markets aren't always "good". It is the margin you can get from dealing heroin that produces a lot of heroin dealers. And welfare payments that we have to protect people in great need can, with some people, actually make them more likely to get into that need. There is nothing 'un-Conservative' about giving markets a helping hand (e.g. by offering an alternative); and we shouldn't be afraid of doing so. The important thing is that you can't work round markets – thinking that although the economic signals incentivise people to do X, we can persuade them to do Y.

Think local, act local.

Individuals, families & communities typically know what's best for them. One size does not fit all; and grand, uniform, national government schemes are pretty much doomed to failure. Instead, we should use government as an enabler, to support and bring out the best in the people within communities who can make a difference. There are plenty of them. What's more, local solutions are more likely to last – surviving changes of government, for example. And civic pride is a powerful thing. It was on that pride that the great northern cities were built.

There is good and bad in everything...

We sometimes make the error of seeing things too simplistically: for example that it would necessarily be a good thing if all council housing went into housing association ownership; or that problems of public sector waste would be eliminated by putting more functions into arms-length not-for-profit organisations. Actually, in the main we *do* believe both of those propositions. But one also has to recognise that there are good housing associations and there are bad housing associations. Moving things out of the monolithic public sector does remove one type of bureaucracy and waste, but also carries with it risks of mismanagement and fraud. We do not like the target obsession of the current government – but you do need objective criteria of performance, league tables, and the ultimate sanction of cutting off revenue. The trick is to develop good measures, which give right-headed incentives – which are unlikely to be as simplistic as, say, the constant focus on the "5+C+" GCSE target, which is largely irrelevant for those at the very bottom (and indeed, incidentally, those at the very top) of the heap.

...but some of the measures are immeasurable.

Statistics do help us understand situations, but they can mislead, too. You can look at two estates or wards which nominally are next to each other in something like an ‘index of deprivation’. But you just know that one of them is a far better place to live than the other – you can feel it. And the things that ultimately you care about most – people’s happiness and hope, feelings of security – the measures that exist for these are proxies at best.

Get out of the situational mindset.

If we want things to change, not just mitigate outcomes, we have to direct help towards behaviours, not just to situations. We talk in this paper about incentivising “positive choices, not negative situations”. We also have to accept that this may carry some unfortunate and unintended hardship in the short-term.

Definitions

Inner Cities

It’s a surprisingly tough call to define what we’re actually talking about! Different people mean different things by the term ‘inner city’.

Let us attempt a rough definition, starting with what we don’t mean.

By ‘inner city’ we do not mean ‘city centre’. Most city centres these days have already been regenerated, and in the cases of Leeds, Newcastle, Manchester and others, bear little resemblance to 20 years ago – they are a great success story that we should celebrate. Neither do we mean ‘urban area’. There are certain issues that do apply across urban Britain as a whole, but they’re not the subject of this paper. We do not class Chelsea or Solihull as an inner city area.

Really when we talk about inner city areas, we mean ‘urban poverty’ – and you know it when you see it. Often – as in the case of Hulme and Moss Side in Manchester – they are in the ‘doughnut ring’ that surrounds the city centre itself. But in that same city, we would also class further-out Wythenshawe (which includes Benchill ward, #1 on the national index of deprivation) as an inner city area.

It is not a precise definition, and you really can’t draw the line. As an approximation, for statistical analysis, we have taken a sample of 250 inner city areas which we call the Bow Group Inner Cities 250. It is not meant to be a comprehensive list of inner city areas, just a sampling. We give an overview profile of this sample of 250 areas in the next chapter, and refer to it throughout the paper.

Inner City Issues

This is the other thing to define. There are very few things which are *uniquely* an inner city issue in the sense of appearing in inner cities and nowhere else. So perhaps it would be tempting to say that there are no inner city issues as such. But we define an inner city issue as being one where:

- A particular *problem* or *characteristic* is considerably *more prevalent* in inner cities than elsewhere; or
- The *solution* to a problem (which may be a uniformly widespread one) *can, or must be* different in the inner cities than elsewhere.

The Drivers of Despair

In our research, we have identified five key ‘drivers of despair’ in deprived inner city areas:

Dole – meaning worklessness in all its forms. From work, income and self-sufficiency, so much else follows.

Drugs – which underpins a number of issues: acquisitive street crime, burglary, and the gang’s grip on the streets

Debt – less talked-about than the others; but if you’re already in poverty, few things are more guaranteed to keep you there than getting into chronic debt at punitive rates of interest

Dysfunction – of families, and of wider communities. Society has been built on these foundations, and now we see them challenged – and more in the inner cities than elsewhere

And most of all... **Defeatism** – perhaps for a mother struggling to bring up children, to keep them out of trouble on a sink estate, you can forgive her occasional defeatism. The defeatism we cannot forgive is that among politicians, and the notion that these problems will never be solved.

A Profile of Britain's Inner Cities

The Bow Group Inner Cities 250

To be able to look in a quantified way at what is different in Britain's inner cities compared to other places, we have constructed a sample of 250 inner city wards, to compare to England & Wales as a whole (which contains well over 8,000 wards). We call this the Bow Group Inner Cities 250, or BGIC-250, and we refer to it often throughout the paper.

The BGIC-250 data, and the national averages we compare them to, are almost all taken from the 2001 Office of National Statistics survey. This does make them two and a half years "old" but in general we do not know of any reason to believe they are likely to have changed dramatically; in any case data on this scale are not available from more recent sources.

We faced some constraints in which wards we could use for the BGIC-250. There are only English wards because some of the data are only available for England. And we also had to pick places where boundaries haven't changed for a while, as not quite all the data are from the same year.

The 250 we have ended up with, therefore, certainly do not constitute a comprehensive list of inner city areas. Neither are they the 'worst' areas. And we can't claim that the BGIC-250 is a 100% representative sample. But the number of wards is sufficient for us to be confident that they are sufficiently representative for the current purpose.

All wards in the BGIC-250 have two things in common:

- They are all in urban areas
- They are all in the top quintile of the Office of National Statistics' Index of Multiple Deprivation Indices¹¹

Specifically, the urban areas represented in the sample are (number of wards in brackets):

- Birmingham (19)
- Bradford (14)
- Coventry (6)
- Doncaster (12)
- Leeds (9)
- Liverpool & Knowsley (44)
- London – inner & outer (60)
- Manchester & Salford (40)
- Middlesbrough (9)
- Sheffield (12)
- Sunderland (15)
- Wolverhampton (10)

The 250 wards are relatively populous. They may be only 3% of the wards, but they contain 6% of the people. Key statistics include:

- 3.25m people in total
- 1.17m people in employment
- 745,000 children under 16, including 230,000 babies and toddlers¹²
- 425,000 people over 65
- 145,000 officially unemployed¹³ people; and 209,000 registered as permanently sick/disabled¹⁴

¹¹ The lowest-placed ward in our sample on this measure is at around #1,100

¹² aged up to 4

¹³ aged 16-74, "Economically active: unemployed"

- 205,000 lone parent households; 150,000 of these contain dependent children
- 390,000 homes rented direct from the council; 153,000 from social landlords
- 662,000 households without a car or van

The Contrast

Comparing the 250 wards we have selected against England & Wales is of course only one way to show the differences. It certainly isn't the most dramatic. The contrasts would be all the greater had we restricted ourselves to, say, the 100 most deprived wards; or if we had compared not to the England & Wales average (which of course includes the BGIC-250, as well as other deprived areas), but to affluent suburbs on the edge of those same cities. But we think the way we've done it draws out the key differences, without being over-dramatic.

What's Different?

Lots of things. In the various chapters we cover key ways in which inner cities are different, including:

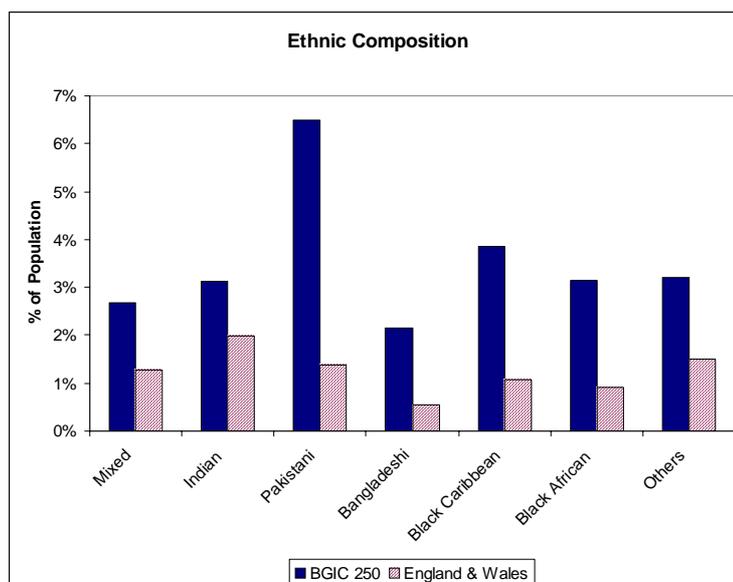
- Lower educational attainment
- More crime
- More joblessness – in all its statistical forms
- Fewer employers
- More addiction to heroin & crack cocaine
- More public ownership of housing
- More reliance on buses; fewer cars

In these pages, we will cover three key additional points in terms of overall community make-up:

- Inner cities are on average less white – though less so than is sometimes assumed
- They have a younger age profile
- Fewer people have a major financial stake in the area – fewer owner occupiers

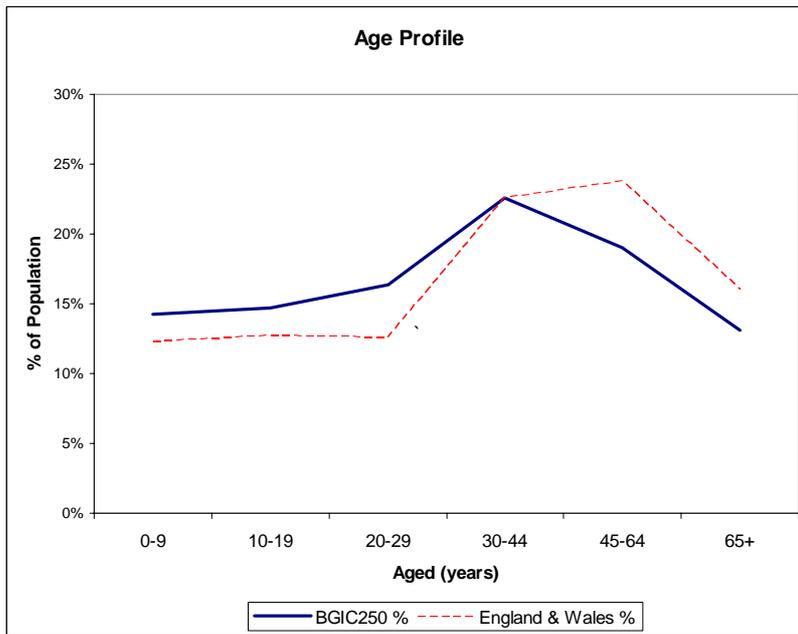
Less White

One obvious area of difference is ethnicity. 25% of the residents of the BGIC-250 are non-white, as against 9% of the England & Wales population as a whole. The proportions of non-white ethnic groups are shown in the chart.



¹⁴ see David Webster's article for the Cambridge Journal of Economics Conference Sept 2003 for statistics on the astonishing rise in long-term sickness / disability claimants in the UK (<http://www.econ.cam.ac.uk/cjeconf/delegates/webster.pdf>). He says "The state of unemployment has been made so unattractive, by reducing benefits, shortening their duration, and imposing increasingly stringent conditions on their receipt, that large numbers of people have been driven into a state of long-term sickness, where they have even less chance of getting a job"

Younger



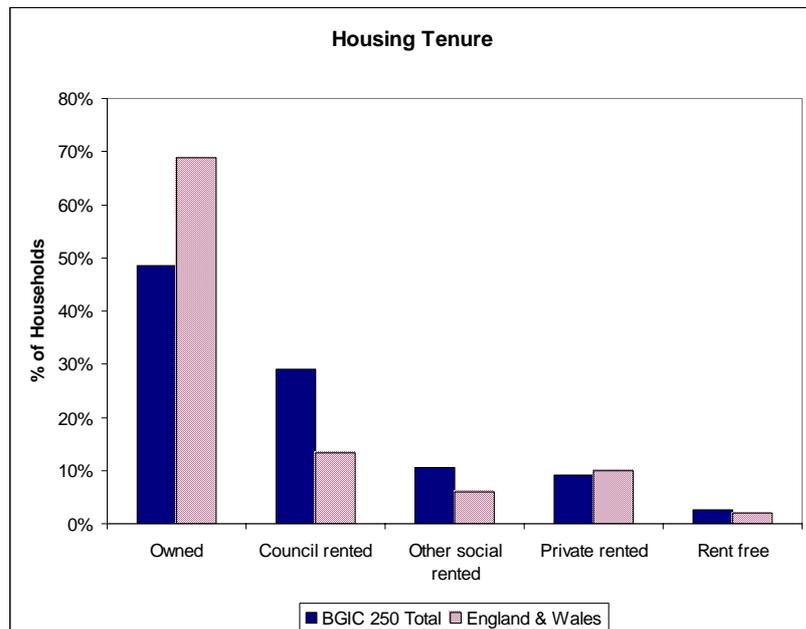
Another aspect in which inner city communities look different from the country as a whole is age profile. Inner cities are, on average, younger.

Of course these are just averages. There are some estates where there is quite a scarcity of older people.

We believe this matters. Although it is difficult to prove a statistical link, we believe that thriving communities need a good mix of age groups.

Less Home Ownership

A further difference between inner city areas and the rest is home ownership. This is discussed in detail elsewhere in this paper. Here, suffice to say that home ownership, having a very real and physical stake in a neighbourhood – and its future – is fundamental to life in Britain. In the BGIC-250, levels of home ownership are significantly lower than for the country as a whole; and many years after right-to-buy and the introduction of social landlords, 29% of households are still rented direct from the council.



Minority Report

The positive contribution of immigration to many communities is impressive and often overlooked in studies focusing upon 'problems'. As Kusminder Chahal observed¹⁵: "Ethnicity and the study of it, has generally been used to highlight the tensions that a diverse range of people living in an area can create. However, this is not always the case. The positive benefits of a settled minority ethnic community can be overlooked, especially in inner city areas where ethnic groups are concentrated". He draws upon "A neighbourhood study in Nottingham [which] found that ethnic diversity can help social cohesion and regenerate the area where people from minority ethnic groups live, through a variety of means". These means include a wider range of shopping provision; voluntary groups establishing a wide range of relationships, such groups acting locally but drawing people from far afield; and the creation of stable neighbourhoods.

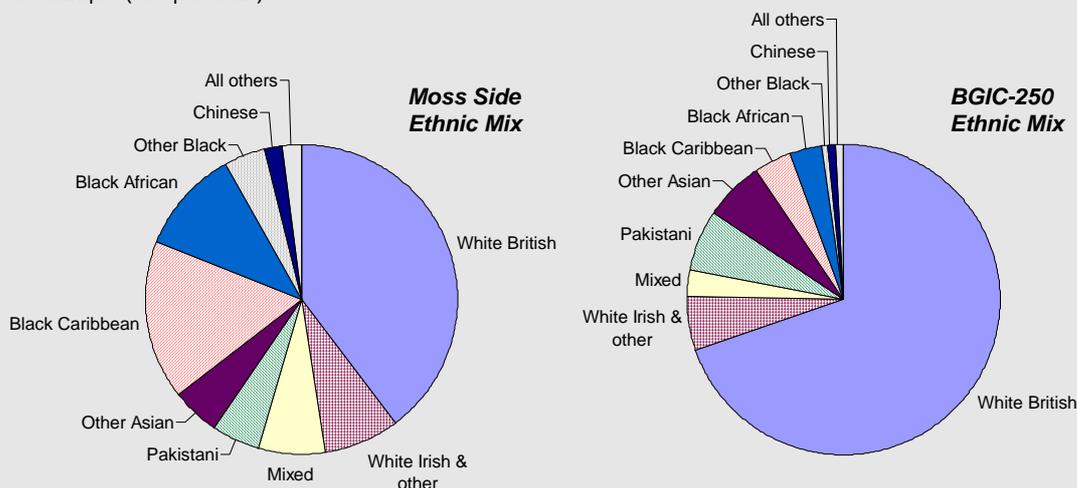
It is important to note that "ethnic minorities" is plural. Different groups are at different stages of the fusion between the traditional identity (or identities) and the newer British identity. Different groups also differ in their retained outlooks and orientations. To quote Chahal again: "Pakistani and Bangladeshi families were traditional in their structure and beliefs, with a strong sense of religious identification and family commitment, whereas African Caribbeans were more likely to emphasise individualism, independence and physical space¹⁶".

Ethnicity also affects family structures. According to Social Trends¹⁷, in 2001 among families with dependent children in Great Britain, those headed by people from the Asian group were the least likely to be lone parents. Households headed by people from White, Mixed and Black Caribbean ethnic groups were most likely to contain cohabiting couples, and those households where the head was from the Chinese or Indian ethnic group were most likely to contain married couples.

Pakistani and Bangladeshi households tend to be larger than those of other ethnic groups, while Indian households tend to be smaller than Pakistani and Bangladeshi households, but they are larger than those of other ethnic groups. The average household size in 2001 was 4.46 people for Bangladeshi households and 4.11 for Pakistani households. Asian households may contain three generations, with grandparents living with a married couple and their children. In comparison, the average size for all households was 2.35, with White Irish and Black Caribbeans, having the smallest households at 2.15 and 2.26 people respectively in 2001¹⁸.

A few places have a dominance of one otherwise-minority ethnic grouping, such as Bradford Toller, 62% Pakistani; Shadwell in Tower Hamlets, 49% Bangladeshi; and Harlesden in Brent, 39% black (though that is split between Caribbean and African).

But there are also places in our sample with strong representation of multiple ethnic communities. Take Moss Side for example (see pie chart).



Contrary, perhaps, to popular belief, there are relatively few places that are single-race, at least not for non-whites. But genuinely racially balanced areas are still the exception. That's because 182 of the BGIC-250 are more than two-thirds white, and 116 – almost half – are more than 90% white.

¹⁵ 'Ethnic Diversity, Neighbourhoods and Housing', Kusminder Chahal, Joseph Rowntree Fund, 2000

¹⁶ *ibid.*

¹⁷ Families with dependent children by ethnic group, 2001, Social Trends 34

¹⁸ *ibid.*

The Future Starts Here: School

Educational standards in inner cities are worse than elsewhere – for example, a child in a deprived inner city area is around half as likely to get 5 good GCSEs as a child elsewhere. This systematic failure to properly educate inner city children has condemned them to a lifetime of poverty – not just poverty financially, but a suffocating poverty of ambition and prospects too. This has serious implications for the whole fabric of inner city society – and beyond – and makes education a key inner city issue. One of our Drivers of Despair is Defeatism; it is at school that we have the greatest opportunity to persuade the next generation of all they can achieve, all they can be.

Many solutions proposed in this chapter are particularly appropriate to inner cities for two reasons: firstly, the fact that a large number of schools are within commuting distance for a given pupil actually makes choice-based solutions more practical in these areas than elsewhere. Secondly, inner city schools are, on average, producing such poor results that a radically different approach is needed even more urgently in inner cities than elsewhere.

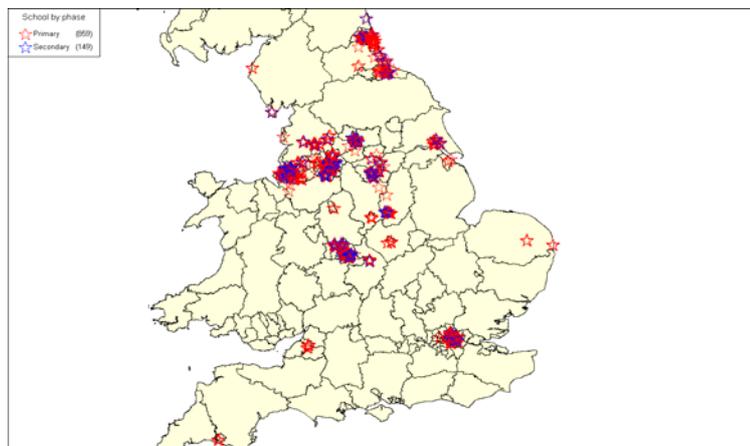
Background & Analysis

Educational Standards in Inner Cities

Standards of educational attainment are abysmally low for inner city children compared to standards nationally. Take any measure, and the answer is the same.

- A child in a deprived inner city is around half as likely to get 5 good GCSEs as a child elsewhere
- The worst ten LEAs for GCSEs are all in inner cities
- Nine out the ten top LEAs in the UK are outside cities
- No city has reached the national average for 5 good GCSE passes

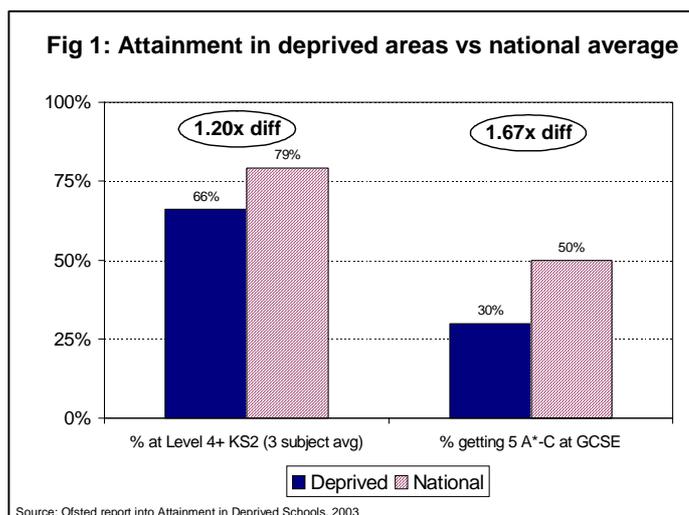
Ofsted's Chief Inspector of Schools David Bell recently said, "We must look again, urgently, at how to close the gap in achievement between youngsters in the most deprived areas and elsewhere...the problem is not solved.¹⁹" The picture is more fully painted by an Ofsted report published in November 2003 on Access and Attainment in Deprived Urban Areas. They selected 499 primary and 68 secondary schools from urban areas that they identified as most deprived²⁰. Their locations are plotted on this map.



At every level, attainment in these deprived urban schools falls radically below national averages. As Figure 1 below shows, 66% of children from deprived areas achieve an average of level 4+ at key stage 2, compared to 79% nationally – a difference of 13 percentage points. Put another way, if you do not come from a deprived urban area, you are 1.2 times as likely to get to Level 4+ than if you do come from a deprived urban area. By GCSE stage, this gap has widened. In deprived urban areas, 30% get 5 A*-Cs, compared to 50% nationally. This means that if you do not come from a deprived urban area you are 1.67 times as likely to get these grades than if you do. Looking at average scores paints a similar picture.

¹⁹ Speech to The Fabian Society, 20th November 2003, taken from the transcript on Ofsted's website (www.ofsted.gov.uk).

²⁰ These were defined as schools in urban wards, who had been inspected twice recently, had a Free School Meal eligibility higher than 35% and a deprivation index of 55 or higher. 859 primary and 149 secondary schools meeting the deprivation criteria are plotted above.



The fact that the inner city attainment gap between Key Stage 2 and GCSE is widening is worrying. In a sense, you might say that factors to do with the social deprivation of the children manifest themselves in the Key Stage 2 numbers. The fact that from this starting point the situation deteriorates suggests that the quality of education itself that is delivered in deprived inner city areas is poorer than elsewhere.

The Ofsted report also looks at trends over time, again comparing deprived inner city schools to the national average. Between 1996 and 2002, the gap in Key Stage Two

attainment decreased slightly, to the position shown above in Figure 1. However, at GCSE, the gap is actually widening. There is a major problem in attainment in inner cities, in particular at secondary level, where the situation is worsening.

Many inner city children are not getting any qualifications at all. The Bow Group's BGIC-250 sample of 250 deprived urban wards shows that in 2001 39% of the adult population in these areas have no qualifications – over a third higher than the national average. In 32 of the 250 BGIC-250 wards, over half the adult population have no qualifications at all. They have been completely failed by the system.

The inner city problem can also be illustrated by looking at two London Boroughs – one, an inner city Borough, Tower Hamlets, and another, a leafy suburb, Bromley.

Education in two London Boroughs: Bromley vs Tower Hamlets

Measure ²¹	Bromley	Tower Hamlets
Average % achieving KS2 level 4 or higher, 2002	81.7%	73.0%
% achieving 5+ GCSEs at A*-C, 2003 (p)	58.7%	39.7%
Teacher Vacancy Rate	1.1%	4.8%
Funding per pupil, 2002/03	£3,520	£5,470
% of 16 and 17 year old still in education	81.0%	66.0%
Average KS2 class size, 2003	28.5	26.5
Total pupils with unauthorised absence, 2002/03*	7,380	14,649
% of all pupils with FSM eligibility, 2003	10.9%	62.0%

* Tower Hamlets only has about 20% more pupils than Bromley

Although 55% more money per pupil is being spent in Tower Hamlets and class sizes are slightly smaller, its performance is still much worse than Bromley's on every measure. Besides worse exam results, Tower Hamlets also suffers from a much higher teacher vacancy rate – over four times the level as in Bromley.

Students are 15% less likely to continue into the sixth form in Tower Hamlets than Bromley, and Tower Hamlets pupils are almost twice as likely to have unauthorised absence. This in itself may yield some clues – it suggests that parental involvement and discipline are issues. Finally, there are almost six times as many children entitled to free school meals in Tower Hamlets as there are in Bromley. Social deprivation is clearly a key driver of poor attainment. But as seen by analysing the Ofsted report above, the attainment gap grows over time suggesting that there is more to it than just this. More money alone also does not seem to solve the problem – Tower Hamlets children suffer despite having 55% more spent on them than their Bromley counterparts.

²¹ DES data, accessed at <http://www.dfes.gov.uk/rsgateway/DB/SFR/s000411/index.shtml>

In summary, educational standards in inner cities are extremely low, despite additional funding. A very high proportion of children are completely failed by the system, and are left behind. Money alone has not solved the problem. More is needed.

Disciplinary Standards in Inner City Schools

Besides extremely poor standards in academic attainment, standards of discipline are also low in inner city schools. Not only does this pose a problem from the point of view of delivering good education, it also sets the scene for a future cycle of crime and disengagement with society.

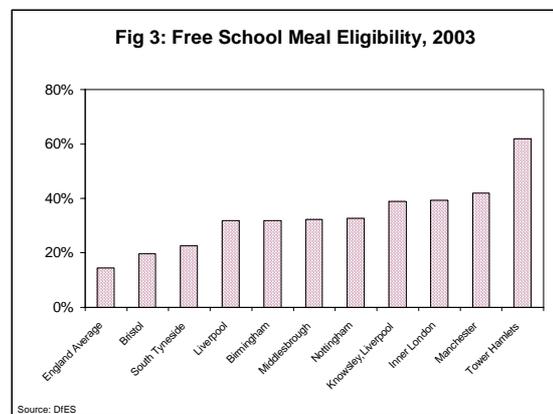
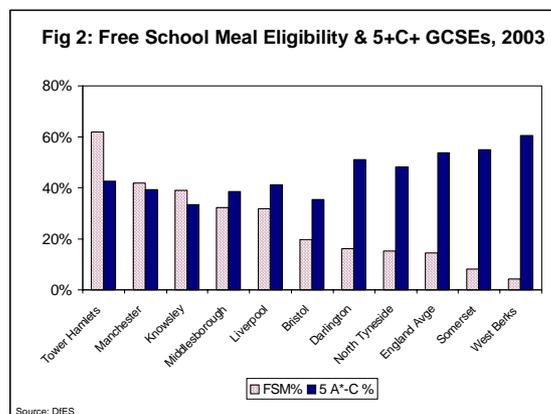
Twenty-five of the worst twenty-eight schools in the UK for truancy are to be found in inner cities. Truancy accounts for 7.5 million lost schools days per year, a staggering amount of lost learning. Truancy in turn has knock-on implications. For instance, 40% of all street crime, 25% of all burglaries, and 20% of all criminal damage is committed by 10-16 year olds who should be at school²². Not only is this damaging in itself, but it leads the erstwhile pupil into the realm of criminal activity that they might otherwise have avoided.

This issue is powerfully highlighted in John Tate and Greg Clark's report *No Child Left Behind*. It reveals that 80% of teachers in inner cities say that pupil behaviour is declining, and points out that pupil behaviour is cited as the third most common reason for leaving teaching (behind workload and bureaucracy)²³. Serious assaults in schools quadrupled between 1998 and 2001 and 82% of teachers now experience threatening behaviour²⁴.

It is now very difficult for head teachers to exclude disruptive children. *No Child Left Behind* cites an example of a Year 10 boy in Wales who punched a teacher in the face. The headmaster's exclusion of this pupil was overturned on appeal.

There is an expectation from the government that primary and comprehensive schools should cater to the needs of all pupils, regardless of their ability, behavioural issues and special needs. This one-size-fits-all approach is failing children across the country, but nowhere more so than in inner cities where a higher proportion of children have special needs than elsewhere.

Why is Inner City Education Failing?



Children who come from poorer homes tend to do worse at school. Figure 2 shows that there is a strong negative correlation between the percentage of children qualifying for free school meals and the percentage getting five or more GCSEs at grade C or above.

Figure 3 shows a selection of the highest LEAs for free school meal eligibility. These come entirely from inner cities. Every single one of the top 30 LEAs for free school meal eligibility are in inner city areas, and you have to go to number 47 on the list (Telford and the Wrekin) to find the first LEA not covering a predominantly urban area. Since many inner cities are deprived and deprivation is a cause of poor educational performance, we have found part of the explanation for their historically poor educational performance.

²² "Police to Patrol Tough Schools", *The Guardian*, Monday 29th April, 2002

²³ Ofsted Report on Teacher Supply and Retention

²⁴ John Tate and Greg Clark, "No Child Left Behind", Conservative Policy Unit, p. 12

In the context of setting education policy for the inner cities, deprivation is currently an uncomfortable fact of life. A way will have to be found to deliver high quality education to deprived inner city children despite their comparatively poor backgrounds.

The answer does not necessarily lie in more money alone. As we have seen from the Bromley and Tower Hamlets case study, inner city schools are already receiving more money than other schools, partly as a result of their higher proportion of Special Educational Needs students. International comparisons show no correlation between spending per pupil amongst OECD countries (at purchasing power parity) and educational attainment measured by international studies such as PISA²⁵. A US study has similarly found that every “\$1,000 increase in per pupil spending is only associated with PSSA score increases of...less than half of one percent.”²⁶ It is not being argued that inner cities should not receive more funding – they should. But the evidence from both the UK and the rest of the world suggests that this alone will not be enough.

Besides funding and deprivation, a number of other problems exist that inhibit performance in inner city schools. They can be grouped into two categories:

Lack of choice and diversity

The catchment system in the UK means that, generally speaking, parents and children do not have a meaningful choice of which school they go to. This system dictates that a pupil chooses a school predominantly on the basis of the location in which their parents happen to live. At most, the choice will be between schools in the particular LEA in which the pupil resides. More seriously, there is generally only one type of school to choose from – the comprehensive. The comprehensive system essentially offers a choice of similar schools, offering a similar approach, irrespective of a particular pupil’s needs or aptitudes. In inner cities, this usually means a choice of schools that are all pretty much equally bad. To take an example, in the NW1 postcode of north London, almost half the secondary schools are classified as failing. Uniformity has invidious effects, especially in inner cities, for the most vulnerable children. Pupils who need special care and attention are forced to remain in standard schools that are ill-equipped to look after them. This benefits neither the pupil in question, nor the other pupils and teachers whose work is inevitably disrupted.

Some parents are trying to combat this phenomenon by moving into the catchments of the very best state schools. A study by the Royal Geographic Society²⁷ found that house prices in the catchments of good primary schools rose by 33% and those close to a good secondary school by 18%. The author of the report, Professor Paul Cheshire of LSE, said “Our results show that getting your children into a better school is conditioned on income...households lacking the means to move will face reduced opportunities.” A similar effect is seen in the London Borough of Islington, whose secondary schools are seen as being of a poor standard (correctly so – the average 5+ A*-C rate is only 38.5%). Those who can afford to move out as their children reach secondary school age do so, leaving the poorer families behind to suffer the below-par secondary schools.

The “school catchment/house price” effect means that the children of poorer parents end up at worse schools on average. It is grossly unfair. Given that the advocates of the comprehensive system claim that it would promote equality, this is particularly ironic. The comprehensive system has only achieved equality in a perverse sense – it has made most state schools (especially in inner cities) equally bad. It means that the only way to secure a pupil a really good education is to pay private school fees, or pay a higher house price to get into the catchment of one of the few very good state schools. The 166 remaining Grammar schools provide the only exception to this.

Lack of choice and diversity is endangering children’s education.

Lack of freedom for schools

Schools now labour under a burden of restrictions. Studies have shown that good staff, and head teachers in particular, make a huge difference to the performance of schools²⁸. Schools must have the freedom to make this difference. Specifically, schools lack the following freedoms that should allow them to improve:

²⁵ *Stand and Deliver: Has Labour’s Public Spending Spree Worked?* Mark Nicholson, The Bow Group, 2004

²⁶ The Allegheny Institute

²⁷ Reported in *The Times*, Friday 5th September, 2003

²⁸ See, for example, McKinsey’s 2002 study on *Educational Deprivation and Underachievement in London*, quoted on www.teachfirst.org.uk

- The freedom to set staff salaries
- The freedom to select pupils according to schools' own criteria
- The freedom to exclude disruptive pupils
- The freedom to set their own budgets
- The freedom to tailor their own curriculum
- The freedom not to have a high proportion of their budget appropriated at source by the LEA for services that the school may or may not find useful
- The freedom not to be burdened with excessive bureaucracy from the centre

This last point is an important one. 20% of teachers' time is now spent on tasks not directly related to teaching, according to a PWC report²⁹. 58% of primary school teachers leaving and 74% of secondary school teachers cite an unmanageable workload as their reason for leaving. The ONS's 2003 report on teacher numbers shows that, against a national average of 0.9% vacancies, inner London has a rate of 2.6%. Further, the worst Boroughs (Tower Hamlets and Haringey) both had vacancy rates of 4.8%, over five times the national average.

Lack of school freedom is endangering children's education.

Labour's Record on Inner City Education

Labour has recognised the problem of failing inner city education. Under Blair, limited efforts have been made to give parents more choice in an effort to address the problems identified in the previous section. These efforts include the development of City Academies and Specialist Schools, a policy first started by the Conservatives under John Major.

There are currently four different major types of specialist school: Technology colleges, Language colleges, Sports colleges and Arts colleges with small but increasing numbers of Engineering, Science, Maths, Computing, and Business and Enterprise specialist schools. The government hopes to expand the programme to include Science colleges within the next few years. To apply for specialist status an institution must raise £50,000 in private sponsorship, provide evidence of sustained attainment by pupils in the relevant specialist area and they must present a four-year development programme complete with targets and performance indicators against which success can be judged. Schools which succeed in gaining specialist status are then given a one off payment of £100,000 by the DFES and additional annual funding based on pupil numbers. Recent figures show there are 992 specialist schools, out of 3,436 secondary school in England³⁰. However, specialist schools have very limited additional freedoms, when compared to standard comprehensives.

City Academies were introduced by Blair in his first term. They are publicly funded independent secondary schools that receive up to £10 million of capital investment with up to 20% of private and voluntary sponsorship.³¹ These semi-autonomous schools introduced significant educational funding into regions like Lambeth and Moss Side, Manchester. There are only 15 city technology colleges and 3 academies as at 2003³².

But City Academies and Specialist Schools are a small a step in the right direction. Specialist schools have generally been slightly more successful than non-specialist state schools³³ (although this is partly due to the fact that they are by definition the slightly better state schools) as have City Academies, where they have been established. However, Specialist Schools enjoy only very limited freedoms, and although City Academies have greater freedom, there are very, very few schools with this status. However, given that these schools have been a modest success despite these constraints, surely there is a case to be bolder? The next section will make specific proposals along those lines.

The limited freedoms Labour has given to Specialist Schools and City Academies has been substantially counteracted by reduced freedoms elsewhere. Labour has presided over a 'command and control' approach to education, with a growing emphasis on educational bureaucracy, targets and prescriptive

²⁹ John Tate and Greg Clark, "No Child Left Behind", Conservative Policy Unit, p. 19

³⁰ *Statistics of Education in Schools*, DES September 25th 2003

³¹ "Church Group to run state school." BBC News Online. www.news.bbc.co.uk

³² *Statistics of Education in Schools*, DES September 25th 2003

³³ *Specialist Schools, an Evaluation of Progress*, 2001, found a slightly faster rate of increase in GCSE points scores in specialist schools than others

instructions. For example, Head teachers are now subjected to time-consuming appeal panels when they need to exclude an unruly child. Schools have little control over the content of the curriculum they teach their children whilst many private schools, clearly discontent with the national curriculum, abandon it for their own alternatives. The mass of additional paperwork for teachers now accounts for 74% of those leaving the profession. The NUT have even published a full paper advising Primary School teachers on how to deal with their work loads.

Testing has also increased under the current government. A pupil of higher ability in this country will now sit somewhere in the region of up to 95 exams in their school career. These exams come at a cost of roughly £100,000 for an average state school with an intake of 1,000 pupils. Predictably, the increase in National Curriculum examinations is also limiting the amount of productive time a teacher can spend in their classroom.

Overall, the fact is that under Labour, the gap between inner city pupils and the rest of the country at GCSE level is getting wider³⁴. A more radical approach is needed.

Policy Proposals

Charter Schools

This chapter has identified lack of choice for parents and lack of freedom for schools as key inhibitors of school performance in general, and in inner cities in particular. These factors are in addition to the need for adequate funding of inner city schools, and the influence of deprivation on low academic achievement.

To combat these problems, the next government should introduce “charter schools.” This section will explain what a charter school is, and why it will benefit pupils.

A charter school is not controlled by the LEA and is not subject to the majority of government restrictions currently in place. Specifically, a charter school has the freedom to:

- Select pupils according to any aptitude criteria that it sees fit (including academic, musical or sporting ability), although not according to ethnicity
- Exclude disruptive pupils, and then only be subject to internal appeals processes
- Allocate its own budget in the way it thinks will most benefit pupils
- Set staff salaries as it sees fit
- To borrow money commercially. However, any debt should not be guaranteed by the government centrally, and therefore should not form part of the national debt³⁵.
- ‘Opt in’ to services traditionally provided by the LEA by buying them as it needs them, rather than being forced to take them

Parents would be free to select whichever school would take their child, irrespective of the relative geographic locations of the school and their home.

Funding for these schools follows the pupil, on a per capita basis. The school would receive *all* the money associated with the pupil, rather than have some of it taken at source by the LEA. The services that are currently provided by the LEA – everything from payroll administration to help with budgeting – should be purchased by the school from an LEA or from a commercial organisation. Crucially, these services would be purchased as needed and from the best supplier, rather than schools having to take them from the LEA whether they are needed or not. This proposal will allow schools to spend money allocated to their pupils only on services they actually want. It will allow schools to buy services from the organisation offering the best quality and value, and will provide an incentive for LEAs to improve the services that they offer. Since this proposal will expose LEAs to external competition and allow schools to opt out of services they see as irrelevant to them, it is likely that the number of LEAs and the range of services that they offer will reduce. In fact, there are already companies that operate LEA services. For example, Liberal Democrat controlled Islington Council has sub-contracted all its LEA-services to a private company, Cambridge Education Associates. But the proposals in this chapter go further, and put

³⁴ As noted in section 1a above

³⁵ Ownership of physical assets of existing schools will remain with the DES, and charter schools will not be allowed to sell those assets without DES approval

decisions about whose services to use (if any) into the hands of individual schools, who can make decision based on their individual need, rather than having decisions taken across the whole LEA by the Council.

Over a period of time, all inner city schools should become charter schools. It is particularly apt that inner city schools should be made into charter schools first for two reasons:

- Quality in inner city schools is so poor that urgent and radical action is needed
- The close geographic proximity of many schools in inner cities (for example, 18 secondary schools in Camden alone) and good transport links makes the concept of school choice more applicable in urban than rural areas

In addition to this, organisations should be able to apply for a charter (from the DES) to start a new charter school, provided that they meet simple criteria – for example, the finance to set the school up. Organisations that might choose to start up charter schools include:

- Charities or voluntary groups
- Businesses
- Not for profit organisations Churches or other faith groups
- Local Councils
- The DES
- Groups of parents or teachers

Crucially, there should be no rule to prevent the establishment of new schools simply because the area is already served by a sufficient number of schools.

Any charter school will derive its income through the per-capital funding received direct from the DES. This means that schools which parents see as poor will receive less money, and so will be forced either to improve, or financial circumstance will mean they have to apply to the DES to be taken into “direct control”. Direct control would involve the DES organising for the running of a school to be taken over by a new management team (potentially sub-contracted to the private sector) or taken through a managed closure programme (management of this could be sub-contracted to the LEA or LEA-type commercial organisation). Thus poor schools – as determined by parent choice – will be either turned around or taken through a managed closure programme. All schools will have a powerful incentive to perform in order to attract pupils and hence funding.

Standards in schools will be re-enforced through maintenance of the national curriculum (although perhaps in a less prescriptive form) and through the same regime of inspections that currently exists via Ofsted. A school that fails its inspection risks being placed into “direct control”. Direct Control would very much be the exception rather than the rule.

What if there is a constituency of pupils for whom there is no school that will accept them in their locality? In this case, it is envisaged that the DES will initiate the establishment and funding of a suitable charter school³⁶. This will ensure that there are no gaps in the provision of charter schools. In fact, the lessons from the USA (see below) suggest that more charter schools are established to cater for the needs of disadvantaged children than for privileged ones

Case Studies – Real Charter Schools

St Paul's School, Minnesota. This school was set up by two teachers to cater for particularly disruptive pupils over the age of 16. The roll stands are around 90 students, and enrolment is entirely by choice. Since starting, over 90% of its students have gone on to college.

Arrunui High School, Christchurch, New Zealand. This high school has a disproportionately high number of Maori students on the roll, and had historically had a very high drop out rate. A new principal, using the freedom he had as a charter school, re-orientated the curriculum strongly towards sport as well as academic teaching. The drop out rate from being one of the worst in New Zealand became one of the best. Academic results also improved considerably.

Friendship Edison College, Washington DC. This school was visited by Graham Brady, MP for Sale and Altrincham. Despite being located in a part of Washington rife with violence, gun crime and social deprivation, Mr Brady found it to be an “orderly well mannered school, where genuine courtesy is the norm”

From: *Charter Schools, An Irresistible Force?*, David W Kilpatrick, The Allegheny Institute; and *The Daily Telegraph*

³⁶ Such schools would be established by the DES only where the charter school “market” had failed to provide provision for a particular group of children. There is no assumption that this will necessarily be a group of low academic achievers – it could be quite the reverse (for example, if there was no school in an area to cater for high academic achievers). There would need to be a certain shortfall in numbers of places to trigger this measure (e.g. 400 per Borough). Before this threshold is reached, pupils for whom a place cannot be found through the “usual” channels will be accommodated by the DES offering more money to induce an existing school to accept them (as currently happens)

The system of per capita funding can be used to stack the odds in favour of the most disadvantaged children. Per capita funding should be increased to reflect the deprivation of the children being admitted (for example, on the basis of percent Free School Meal entitlement – a measure of social deprivation) or their education needs. So children who have been assessed as having SEN (special education needs) should receive higher per capita funding than those who have not. This both ensures that more resources are available to those who the system is currently failing the most, and it creates an incentive for organisations to provide charter schools to help them.

This system has six key advantages:

- It gives schools powerful incentives to perform, and the freedom to do so – it rewards quality and corrects poor performance
- It gives parents real choice, and ensures a diversity of provision so that different schools can cater to the needs of different children
- It efficiently allocates resources where they can most effectively deliver results, according to parent choice rather than bureaucratic diktat
- It provides a safety net to ensure that no child is left behind
- By abolishing the catchment area concept, parents from deprived inner cities can send their children to better schools that are within commuting distance
- It cuts out LEA bureaucracy, and gets more money to frontline education

The change being proposed is a large one. However, there are some very powerful case studies from overseas which illustrate how this kind of system can work in practice. New Zealand and the USA are the most prominent two, and these are discussed in detail below.

The New Zealand Lesson

In 1989, New Zealand began to change its school system. Previously, it resembled the current UK comprehensive system, with school boards (LEAs) and the equivalent of comprehensive schools serving a fixed geographic area. From 1991, every school in New Zealand was made into a charter school, with very similar freedoms to those described in section (2a) above. The school boards were abolished, and schools were overseen by trustees – the equivalent of Governors in UK schools.

The Education Review Office (a department of New Zealand’s government) conducted a study in 1995 into the impact of charter schools. They found that the majority of schools had been “innovative and responsive” in dealing with the perceived needs of pupils³⁷. A seven-year study by the New Zealand Council on Educational Research found that principals and teachers overwhelmingly commented that the charter school reforms had led to a “positive impact” on their schools.

More importantly, before these reforms were implemented, only 30% of education funding was spent in the classroom. Now, that figure has risen to 67%³⁸. A former New Zealand cabinet minister Hon Maurice McTigue QSO has described the situation before and after the reforms:

- Before the reforms, “New Zealand’s government had [previously] created a massive, unresponsive educational system, where parents had little or no influence. The system was failing to meet acceptable achievement levels”
- After the reforms, “Parents [now] play the dominant role in the educational choices for their children. Learning has improved and classroom size is down. A large quantity of money has been freed up by the elimination of bureaucracy, allowing....a major investment in classroom technology [and] teaching aides”

One failing that has been identified with the New Zealand system is that there is no mechanism for poor schools to be closed or improved, and new schools cannot be opened unless there is a need for more places. This means that the poorest schools are not necessarily subjected to the pressure to improve that they need to be – or closed down. The proposals made in the chapter avoid this pitfall.

³⁷ *The Case for School Choice: New Zealand*, The Fraser Institute

³⁸ Speech by the Hon Maurice McTigue QSO to the Cascade Policy Institute, Oregon in March 1999. See www.cascadepolicy.org

The American Lesson

There are 2,700 Charter Schools in America that educate over 684,000 American school children³⁹. These figures are growing daily, and encompass both existing public schools that become charter schools, and new charter schools that open up. President Bush's education bill calls for \$200 million to be dedicated to a further 680 new charters and the renewal of 1,100 existing ones⁴⁰. In the US, 60% of parents say that they believe charter schools are better for their child with regard to the quality of teaching, individual attention from teachers, curriculum, discipline, parent involvement and academic standards⁴¹. In Arizona, a state with some of the most advanced charter school laws, 66% of parents gave their charter schools an A or A* rating compared to 25% for their previous schools⁴². Both candidates in the last Presidential campaign favoured charter schools. 39 out of 50 states have charter school laws, as does Washington DC. Charter Schools in the US are working.

Measuring Charter Schools – “z-scores”

The Brown Center for Education at the Brookings Institute has developed a measure of education attainment called the “z-score”. This measures attainment, adjusted to account for the social mix of the students at a given school. Some important results arise for US Charter Schools:

- a) The average charter school caters to less able students than the average American public school (charter schools average a z-score of -0.31 compared to 0.01 nationally). This is in part because the worst public schools tend to convert to charter school status in an effort to improve
- b) The rate of improvement amongst charter schools is much faster than regular schools: +0.22 over 2000 to 2002, compared to no change nationally.

Most importantly, many Charter Schools are “targeted at at-risk students, disabled students and juvenile delinquents⁴³”. They also tend to cater more to inner city communities, where people feel the need to take control of previously low-quality poor education. In America, the group who have most benefited from charter schools have been black students⁴⁴. This is a pressing issue in the UK, where Caribbean boys are four to six times more likely to be excluded from school than other children⁴⁵. In California, 19% of pupils in charter schools that have converted from regular public schools were black and 58% in poverty. This compares to

8% and 49% amongst regular California public schools. Similarly, 55% of pupils at converting charter schools are from urban backgrounds, compared to 34% in the public school population at large⁴⁶. These kind of figures are repeated across the US.

A number of US charter schools are run by EMOs – “Education Management Organisations” – in effect, businesses that run schools. EMO charter schools tend to typically serve “a larger proportion of black children and are more likely to be located in urban communities,” according to the Brookings Institute's Brown Centre for Education. EMO charter schools have an average of 41% black students compared to an average of 12% in the school system at large. EMO charter schools also tend to serve the most academically under performing children. This is reflected in their “z-scores⁴⁷,” calculated by the Brown Centre. EMO charter schools cater to students with an average z-score of negative 0.58, compared to negative 0.26 amongst non-EMO charter schools and 0.01 amongst all schools. More importantly, charter schools, and EMO charter schools in particular, are improving faster than regular public schools. Between 2000 and 2002, regular schools registered no change in their z score (as they are effectively the control group), whereas EMO charter schools improved by 0.41 points and non-EMO charter schools by 0.18 points. The Centre for Civic Innovation at the Manhattan Institute published their own report in July 2003 using a different measure to the Brown Center, and found very similar results.

Not only are US charter schools tending to serve disadvantaged students in inner cities, but they are delivering improvements over and above the national trend. This is a crucial piece of evidence.

Other Policy Ideas

The introduction of charter schools is a big idea. But there are other ideas too that can help with the education of disadvantaged inner city children. Some of these are given below.

³⁹ *Education Working Paper No 1*, July 2003, Center for Civic Innovation at the Manhattan Institute

⁴⁰ www.ncpa.org November 14th, 2001.

⁴¹ *Charter Schools*, ERIC Digest 118, Margaret Hadderman

⁴² *A Class Act; World lessons for a UK Education*, Steven Pollard, The Adam Smith Institute

⁴³ *Education Working Paper No 1*, July 2003, Center for Civic Innovation at the Manhattan Institute

⁴⁴ *The Effect of Vouchers on Achievement*, Program on Education Policy and Governance, Harvard University

⁴⁵ www.poverty.org

⁴⁶ *The Brown Centre Report on American Education*, Chapter III. The Brookings Institute.

⁴⁷ A measure of educational attainment which norms against similar social groups

- It is likely (at the time of writing) that tuition fees for graduates will shortly be introduced. There is a serious shortage of teachers in inner cities. Graduates could be encouraged to consider teaching in inner cities by being given exemption from tuition fee repayment while they are teaching in inner cities. This could be extended to cover other graduates working for not-for-profit organisations serving the population in deprived areas, and other key inner-city public sector staff such as nurses and doctors.
- A shortage of high quality teachers in the inner cities is inhibiting educational standards. The government should be prepared to invest in organisations with a track record of addressing these issues. Teachfirst is an example of one such organisation. It is a not for profit entity based in London that aims to get good graduates into inner city schools. 45 schools in London employed TeachFirst teachers in 2003⁴⁸.
- Constant focus on the 5 A* to C criteria at GCSE (the so-called ‘5+C+’) offers no incentive to help the poorest student – it only offers an incentive to help those students close to the C border. Other more inclusive statistics do exist, but they tend not to be emphasised as much. Targets and the headline published results should therefore give average GCSE points scores⁴⁹ per school and the percentage of children getting no GCSEs. This will incentivise schools to help all students (high and low performing) to do the best they can, and will further encourage schools to make sure that children do not leave school with no GCSEs.
- For many pupils, academic grades are only part of their achievements at school. A formal graduation certificate should be issued, listing grades but also a personal reference and non-academic achievements that might be of interest to an employer. These could include sporting achievements, work experience or community work. Non-academic achievements are important for many children, and should be recognised.
- There are not enough male role models teaching in primary schools, especially in inner cities. A successful project runs in the US to get soldiers coming out of the army into primary school teaching. There was a particular emphasis in the US scheme on getting black ex-soldiers into teaching in inner cities. A similar “Troops to Teachers” scheme should be set up in the UK. A similar scheme might work for retiring policemen, who tend to leave the force on average before the age of 65.
- More independence for schools means that the role of the head as a leader and manager will become more important. There are a number of good initiatives in this area already, such as mentoring programmes, people taking their MSc in Education Management, and the NPQH qualification for head teachers. We’d like to see these programmes expanded, both in terms of number of people, and of scope (to cover the greater number of non-educational managerial responsibilities).
- School uniform should be compulsory for all children to age 16 (although schools should be free to choose what form this takes). There are five compelling reasons for making school uniform compulsory:
 - It emphasises that children are equal in the eyes of the school
 - Barriers between communities can sometimes be re-enforced through differing dress, which school uniform avoids⁵⁰
 - It means that poorer children who cannot afford the latest fashions are not singled out as being inadequate by their peers
 - It fosters a sense of collegial pride and a sense of belonging
 - It clearly signals the fact that school is a disciplined environment, with accepted behavioural standards
- Lengthen the school day. As well as facilitating more learning (or other activities such as sport), this would also have a benefit in terms of crime reduction. See the chapter *Safe Streets*.

⁴⁸ See www.teachfirst.org.uk

⁴⁹ This would work rather like the UCAS system – 10 points for an A*, 8 for an A and so on. This would mean that getting a student from grade E to grade D would still positively impact the school’s scores

⁵⁰ However, it is *not* suggested that religious symbols worn in addition to school uniform should be banned

Less Sex & Drugs. More Rock 'n' Roll.

Sometimes the most important things are also the most obvious and the easiest to fix. One thing we hear often is that a key reason inner city kids get into petty crime, turn to drugs, and start sleeping around at a young age is simply that they are bored.

Our proposed solution? More stuff to do.

But not just any old stuff. It is normal for the local council to provide pretty good facilities, a community centre say, on poor estates. It is vexing then when they get graffitied and vandalised.

It isn't always like this. We visited the community centres at two almost-neighbouring estates in west London. One was heavily graffitied and had been turned into something of a fortress; it was empty when we visited. The other was thriving, in good condition, and had not a jot of graffiti on its outside wall. We're not claiming you can necessarily extrapolate from this example to the world at large, but we noticed three differences between the two: (1) the first was called 'Community Centre', whereas the second had its own name; (2) the second was just better-equipped – more stuff to do; (3) local people had been more involved in creation of the second.

We would like to spend a lot more money on things to do. But we think this will prove to be a highly leveraged investment: the impact on crime, drug abuse and so on should be much greater.

There are a whole range of things that could be covered: skate parks, rock climbing walls, tennis courts, recording studios, DJ school, and so on. All of these are of course provided to an extent today.

The important thing is that the people themselves choose what the things should be.

CareBanks could provide 75% funding for capital projects up to £10,000 where the local people can raise the other 25% for ANY facility set up by a community not-for-profit (NFP) group on a deprived estate, that can be demonstrated to offer 'something to do' for the community, so long as it is legal, and has the appropriate health & safety considerations.

Another group that is good at responding to what people want is the private sector. Of course, if profits were easily to be had doing these things, the private sector would already be doing them. Alas, the profile of the inner city areas (low incomes, prevalence of vandalism, etc) makes making money harder. So, we would propose 100% revenue support (i.e. you double the revenue they make) from CareBanks* for any private sector 'something to do' project which is a revenue-earning activity (such as a recording studio or DJ school).

* See the chapter *A Revolution in Devolution*

A Charter for Jobs (1): Enterprise

Dole – meaning worklessness in all its statistical forms – is one of the five Drivers of Despair. In this and the next chapter, we outline proposals to tackle this by both increasing the number of work opportunities available, and better equipping people to take advantage of them.

In this chapter we cover the jobs themselves. Providing positive measures to enable enterprise by lightening the hand of government, giving employers a say in local government, and creating simpler development regulations, will give businesses a positive reason to move to the inner cities.

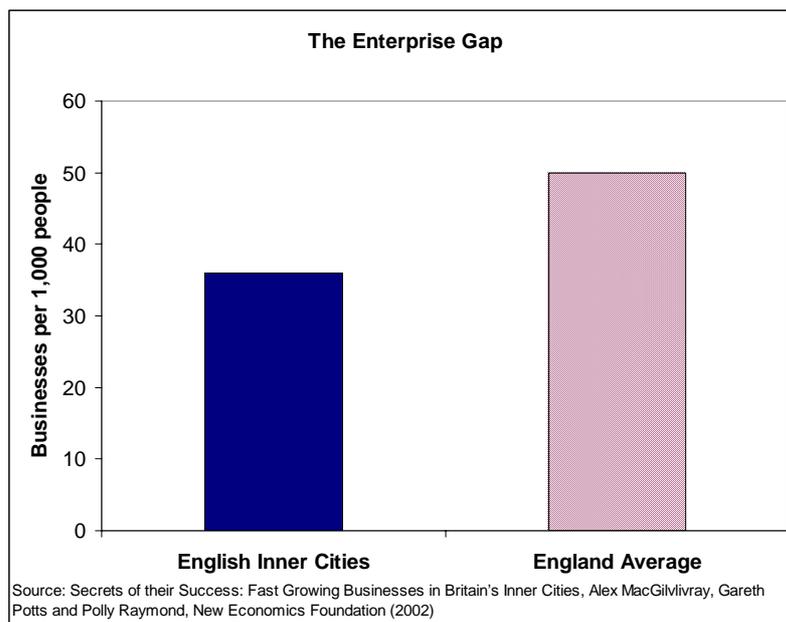
Background & Analysis

The inner cities should be booming.

As the Survey of Inner City Businesses points out, inner cities enjoy many of the advantages which surveys of small businesses highlight as critical to success:

- Good transport links
- High local customer base
- Local pool of workers
- Nearby suppliers
- Available premises
- Opportunities to network with other small businesses
- Better broadband access than many rural and suburban areas⁵¹

Yet in spite of these apparent advantages there is an ‘enterprise gap’ in Britain’s inner cities. The 100 most depressed inner city wards in England and Wales have only 16.7 VAT registered businesses per 1000 of the population compared to an average of 26.2 per 1000 for the country as a whole.⁵² Looking more specifically at ‘low employment areas’ within the inner cities, there are, on average, only one sixth as many VAT-registered businesses as in high employment areas.⁵³ Considering towns as a whole, there is a particular dearth of entrepreneurial activity in Barnsley (16.9 businesses per 1000) and Liverpool (18.1).⁵⁴



Despite a plethora of government initiatives, depressed regions such as the North East still lag behind more organically prosperous areas of the country in terms of business start-ups.⁵⁵

⁵¹ BBC News Report, 7 May 2003

⁵² The Bow Group ‘Inner City 250’ wards study

⁵³ Urban White Paper, Office of the Deputy Prime Minister (2000)

⁵⁴ Neighbourhood Statistics, National Statistics Office (2001).

Although it is to an extent understandable that there should be fewer consumer-facing businesses (as the disadvantaged have less money to spend), the prospect of available labour should attract other businesses in. However, they can be deterred by their perceptions of other negative characteristics of inner city areas, most notably crime⁵⁶. Mechanisms to address crime are covered in other chapters of the paper and so will not be covered here, but it is important to note that in the event that the changes that we propose are made and are successful, there is a strong case in communicating that success to the business community as part of the process of changing perceptions.

Businesses are also deterred by space constraints when looking to expand.⁵⁷ This connects with the complexities of the planning system that we will return to below. Just as significant is access to the necessary skills and motivation within the workforce, where again there is a potential deficit.

Transport links are ranked as the number one priority for employers when deciding where to establish their business.⁵⁸ In general, local transport links are relatively good in most urban areas, especially compared to public transport, and the quality of links, in rural areas. However, the failure to develop urban travel has led to increased traffic congestion in the centre of many cities.

Greater labour mobility should be encouraged so that the location of surplus labour pools can be moved into line with market demand, this being easier to accomplish than the reverse position. Furthermore, poor strategic location and transport links are not always the principal cause of deprivation. Many London boroughs are among the most disadvantaged in the country in spite of being in close proximity to major engines of national growth and enjoying probably the best public transport system in the UK.

Access to banking facilities is often raised as a reason for the failure of small businesses, especially in depressed areas. In the inner cities, physical access to bank branches is not so great a problem as elsewhere, in spite of the contraction of branch networks in recent years. More serious are difficulties of access to services within the banks, with turnover thresholds often being in place for access to loans, factoring and invoice finance.⁵⁹ Inner city entrepreneurs are also less likely to own their own homes or have substantial personal wealth, which puts them at a disadvantage when dealing with banks as they lack the collateral to secure a loan. Nevertheless, governmental support schemes have existed since 1981 which guarantee 75% of the risk which a bank takes on for loans under £250,000 and which have recently been extended to cover more classes of business.⁶⁰ Moreover, successful inner city entrepreneurs and business advisers consider that obtaining finance is less significant than 'an attitude of mind and a culture which leads to the emergence of successful and vibrant companies'⁶¹ and that this 'business culture' is lacking in many less affluent regions such as the North-East of England.⁶²

In defiance of economic trends, successive governments first sought to support dying industries in the former industrial areas and, after this policy was abandoned in the 1980s, focused instead on developing new industries in these areas, the recent Employment Zones being only the latest initiative. Although there have been some successful schemes in certain areas, the regional unemployment patterns suggest that this 'regional policy' has failed to redress underlying economic weaknesses in these areas. The Commons Urban Affairs Sub-Committee has been critical of past regeneration efforts, noting that 'large sums of money have been spent on the same deprived areas over and over again without bringing significant or lasting improvement.'⁶³ People are now draining away from inner city areas, Liverpool, Sheffield and Newcastle in particular, to the extent that there is now a distinct housing surplus in these cities.⁶⁴

Consequences

A lack of businesses in inner cities not only restricts local consumer choice and keeps potential entrepreneurs in the dole queue. Low business activity in an area also means that there are fewer locally created job opportunities or bases for government-sponsored or private training schemes. The creation of a 'commerce free' environment through a lack of businesses can be seen as a form of the inherited

⁵⁵ *Inclusion*, Issue 3, Government Office in the North East (2002), Financial Times, 6 November 2002

⁵⁶ Financial Times, 6 November 2002

⁵⁷ Survey of successful 'Inner City 100' urban businesses (2002)

⁵⁸ Urban White Paper, Office of the Deputy Prime Minister (2000)

⁵⁹ Financial Times Survey of Inner City Businesses, November 2002

⁶⁰ Department of Trade and Industry Press Release, October 2003

⁶¹ Liam Black of the Liverpool-based Furniture Resource Centre, quoted in BBC Report, 10 October 2000

⁶² Alan Bell, South-East Northumberland Enterprise Trust

⁶³ 'The Effectiveness of Government Regeneration Activities', Report of the Commons Urban Affairs Sub-Committee, April 2003

⁶⁴ The Guardian, 3 November 1999

dependency culture which has been identified in some inner city areas, as there are fewer examples to inspire potential entrepreneurs.

Planning a City

A city is a dense and delicately connected life form that thrives through interaction and diversity. It changes at a rapid pace – this year's run down slum, could be next decade's fashion or business centre – whilst also benefiting from a rich mixture of cultures, backgrounds and outlooks. A successful city will grow and prosper by encouraging and promoting flexibility and variance, whilst recognising that it will never be a homogenous layer of development, wealth and education. There is clearly a role for an independent force to act as the check and balancer of the system, and traditionally government has taken this role; local, regional and national.

One of the relatively new 'checks' has been the creation of a formalised, and nationally structured, planning system. The use of planning as a regulator of development has been accepted over the past 50 years⁶⁵, without detailed questioning as to its influence on, or benefit to, the communities it covers.

The current planning system is unpredictable. This reduces individuals' and organisations' willingness to confidently factor such growth and development into long term plans, without also factoring into their plans large elements of risk in the form of lost revenue, time or increased expenditure.

The planning system is widely seen as being a democratically and locally administered control system, for the prevention of unwanted development projects in the community. Whilst it may well enable local communities to lobby their local councillors and campaign against development, it has not been constructed to listen to such complaints, or heed such campaigns.

Since 1991, all applications have been assessed against the established Local Plan, a guidance document drawn up by every local authority that sets out their restrictions on, or desires for, local development in the community. The plan itself is drawn up in a series of stages over a number of months, in private, and at later stages in public. However the principal goals of the document are usually established by the authority at an early, pre-consultation, stage, and are rarely amended or superseded by public comment. Over 17% of all authorities have failed to establish a Local Plan since 1991, and of the remainder 214 are out of date, or incomplete.⁶⁶

Each Local Plan includes a colour-washed map of the local authority's geographic area. The maps are covered by up to 12 different colours, or combination of colours – each determining the 'use class' of the particular area – that is, what type of use the land may be used for before or after development. There are just four main 'classes' to cover all types of uses, however there are a large number of recognized activities that aren't covered by any of the four main categories, and instead exist in a planning no-man's land. These include theatres, prisons, car showrooms, dry cleaners and many others.

Once the Local Plan map has been published, the particular area that has been labelled as being for a particular use-class remains so for the remainder of the Plan's life – perhaps 10-20 years before it is finally amended. It is not uncommon for a piece of land to be colour-washed for a particular use and for it never to be used simply because it is commercially undesirable, or otherwise unavailable, for that type of development.

The description of the Local Plan is in itself a slight misnomer, since it must also comply with regional and national planning guidance in the form of 25 Policy Planning Guidance (PPG) notes⁶⁷, covering over 850 pages of text, issued by the Secretary of State for the Environment (currently in the form of the Office of the Deputy Prime Minister), who ultimately has control over national policy, setting out a series of rules to establish the planning guidelines that must be applied by all local authority planning officers, and the committees that oversee them.

Failure to apply the PPG rules to a planning application may be grounds for a 'call-in', which will allow the Secretary of State to overrule the local planning officers and the authority – last year there were 127 'call-ins' decided by the Secretary of State, of which only 70% were decided within 20 weeks, which is in addition to the application period itself (less than 60% of large commercial applications were decided within 13 weeks)⁶⁸. As such, every decision of the local planning system is checked against the PPG

⁶⁵ Town and Country Planning Act, 1947

⁶⁶ Green Paper, *Planning: delivering a fundamental change*. HMSO

⁶⁷ See Appendix A for a full list of the PPG notes

⁶⁸ Office of the Deputy Prime Minister

rules, which prolongs the planning application process beyond any commercial measure of efficiency, and also applies rules that might be sensible in Surrey, but madness in Manchester.

Planning Policy Guidance notes can also be highly prescriptive, with little or no allowance for regional or local variation. Parking levels, for instance, are set under PPG 13, Annex D, which sets a maximum ratio for the number of spaces allowed for almost all types of development, no matter whether there are special reasons locally. Any deviance from the PPG standards automatically leads to the planning application being 'called-in' by the Secretary of State.

Consequences

The complex use of 'classes' and PPG notes leads to confusion and conflict between local and national government, with little support for those new to the system. Speedy responses to local economic changes are difficult to enact under a 10-year plan style of government. Inner city businesses are especially in need of clarity and support when planning expansion or investment, but are not supported by the current planning system. For far too long private development in the UK has been under the control of a nationalised planning system, controlled by Whitehall, with a one-policy-fits-all approach to local communities.

Labour's Approach to Inner City Business & Planning

As with their strategy to cure joblessness, Labour's approach to encouraging enterprise relies on a bewildering number of central initiatives. Forty initiatives and bodies to promote economic growth and skills development are mentioned in the Urban White Paper⁶⁹ alone. Even one of Labour's own MPs, Clive Betts, commented that 'There are too many centrally driven national area-based initiatives. Those working on the ground cannot hope to make sense of all of the different national programmes.'⁷⁰ When asked what they think of government initiatives, leading inner city entrepreneurs referred to 'too much bureaucracy', 'horrendous paper work' and 'a lot of red tape'.⁷¹

Recent budgets have continued the 20-year trend of offering greater incentives to invest in inner-city areas, most notably 100% capital allowances and reduced VAT rates for businesses undertaking inner-city commercial redevelopment. Another recent initiative to encourage enterprise was the 'One-Stop Shop' approach to consolidate advice and support for small businesses. Although a sound idea, many entrepreneurs have found that it does not yet live up to its name.

The 2001 Local Government White Paper at least provided for a locally based enterprise strategy. However the Business Improvement Districts (BIDs) envisaged by the paper are not especially well suited to inner city areas and it is significant that the first high-profile BID was started in Oxford Street, W1.

A BID is created if a majority of the businesses in an area vote to establish one. Once a BID has been set up the Local Authority is allowed to levy a higher business rate and the additional revenue raised is used in ways which will improve the attractiveness of the area for businesses, for example paying for security patrols and extra street cleaning.⁷²

BIDs have proved highly successful in American cities, most notably in Manhattan, San Francisco and Philadelphia, where they have led the fight against 'grime and crime' and helped flourishing businesses to develop in formerly crime-ridden neighbourhoods. The drawback of BIDs for inner city areas is that the greatest problems facing businesses, especially small business, in these areas are cashflow related. Consequently raising additional taxation from them is likely to hinder them in the short term even if in there are long term benefits to the area which their businesses may not survive to see.

In December 2001 the government published a Green Paper, *Planning: delivering a fundamental change*⁷³, which outlines a number of amendments to the current system. The principal changes include the replacement of Regional Planning Guidance (RPG) with Regional Spatial Strategies (RSS) Frameworks, to be prepared by the Regional Planning Bodies, and the replacement of Local Plans with

⁶⁹ Urban White Paper, Office of the Deputy Prime Minister (2000)

⁷⁰ 'The Effectiveness of Government Regeneration Activities', Report of the Commons Urban Affairs Sub-Committee, April 2003

⁷¹ Financial Times, 3 December 2003

⁷² 'Strong Local Leadership – Quality Public Services': White Paper on Local Government Finance, Department of Local Government, Transport and the Regions, 2001.

⁷³ Green Paper available from the Office of the Deputy Prime Minister, HMSO

Local Development Frameworks (LDF), which will work alongside the Community Strategy for each authority as established under the Local Government Act 2000.

The new plethora of three letter acronyms does not bode well for greater clarity in the amended system, and it is clear from the tone of the Green Paper that the *fundamental change* described in the title is perhaps, overstating the reality. The Green Paper's opening chapter sets out the case for change, which in part is similar to that outlined above. It recognises that uncertainty in the system is damaging for business, and in turn the community itself:

“Business in particular, needs to know that their planning applications will be dealt with efficiently and predictably. Time delays caused by bureaucracy, lack of skilled staff or over complex systems are bad for business and do little good for anyone else. Delays in receiving a planning decision can mean loss of competitiveness for business, something that we simply cannot afford in the modern global economy.”⁷⁴

However the Paper fails to link inefficiency and lack of predictability to quantity or quality of decision making that forms the planning system, and whilst recognising and highlighting the failures that are most apparent in the system, it aggravates them by reapplying the same structures by a different name, updating the language to describe them and introducing extended consultation procedures. In short, the ‘*fundamental change*’ is change for the worse – which is bad for individuals, business, communities and the country.

Policy Proposals

Enabling Enterprise

As we have discussed, the inner cities possess many inherent advantages that should make them centres of enterprise. However at the same time they suffer from a number of adverse influences that impair their economic potential. In the leading survey of successful inner-city businesses, the Inner City 100, the greatest barriers to enterprise were high levels of crime and lack of space for business expansion, followed by receiving cash from debtors promptly. It is in removing these barriers that governmental support is most needed.

From the early 1980s onwards, government support for inner city business has revolved around tax incentives and business support and funding schemes. However the more successful inner city businesses have tended not to use government schemes to obtain finance and it has been commented that ‘The Inner City 100’ have succeeded largely in spite of, not because of, government and private sector intervention.’ According to a 2002 report, many successful entrepreneurs were unwilling to cede partial control of their businesses to outside investors and used their own money or borrowed on credit cards to finance their businesses.⁷⁵ If tax breaks were to be given to inner city enterprises, the most effective method would be to lower employer's national insurance contributions as it directly penalises local job creation, a key element of long-term inner city revival.

Although government incentive schemes have enjoyed some successes, most notably the restoration of large-scale car building to the Midlands and north of England, there remain many inner city areas which have not been regenerated by financial incentives alone.

Consequently, government activities in the inner cities are most profitably focused on the creation of a favourable operating environment for businesses rather than directly intervening in the enterprise sphere itself. In addition to creating a more motivated and skilled workforce, (as detailed below) and in reducing crime and improving transport links (see dedicated chapters) there are two other major ‘soft areas’ where reform should complement financial incentives to create a more favourable environment for businesses:

- Planning restrictions
- Employee-related legislation

⁷⁴ *Planning: delivering a fundamental change*, Green Paper HMSO, Chapter 1, *The planning system we need: our objectives for planning*

⁷⁵ *Secrets of their Success: Fast Growing Businesses in Britain's Inner Cities*, Alex MacGilvray, Gareth Potts and Polly Raymond, New Economics Foundation (2002)

Employee-Related Legislation

Entrepreneurs, sole traders and small businessmen in general are encumbered by the profusion of employee-related red tape which is a cost and an administrative burden and which prevents them from concentrating on their businesses. The cost of red tape for UK private sector companies in 2003 has been estimated at £3bn.⁷⁶ Again, although red tape restricts businesses throughout the UK it has a particularly negative effect on the inner cities where small businessmen are under the greatest pressure from the threat and expense of crime, a less affluent local market and generally less favourable trading conditions. The unregistered and unregulated 'black economy' also tends to be more widespread in the inner cities than elsewhere. Reducing regulation would mean that the more legitimate arms of the black economy would have less reason to hide themselves and their incentive to operate legally would be enhanced.

An exemption from some of the requirements of the social chapter and related legislation would be a greater stimulant than simply tax breaks for established businesses to locate in the inner cities and for entrepreneurs to develop their businesses.

Effects of Higher Inner-City Employment

If the reforms detailed in the section on Employability and Employment succeed in boosting the employability of inner city residents and getting more of them back into work, this in itself will give a further boost to enterprise in inner city areas:

- greater employment in the inner cities would give residents a higher disposable income. This would encourage more consumer-focused businesses to set up, especially more small businesses;
- a better motivated inner city workforce would incentivise employers to locate in currently depressed areas;
- the activist, work-based culture of the 'Active JobTrain' programme could encourage some trainees to start their own businesses;
- an inner city workforce with an enhanced skills base would combine with the lower costs of some depressed areas to encourage larger employers

Connecting Business and Local Government

As discussed in another chapter, the relationship between local government and local businesses has become more distant in recent years. Business rates are not paid to local authorities and businesses have no direct representation on councils, in spite of the highly beneficial effects that successful inner city businesses have on their localities. To bring the interests of businesses and councils into closer alignment, local authorities should retain a proportion of the business rates raised locally. This would offer inner city councils in particular a direct incentive to encourage enterprise in their areas.

To balance the localisation of business rates, a limited business franchise should be restored, setting aside a percentage of council seats to be elected by local businesses. Such representation would give businesses a voice and act against their being heavily taxed by a council that they had no say in electing.

Keep it Local, Keep it Simple

Tax incentives for setting up businesses in inner-city areas should continue. However the problems and circumstances of each inner city area are different and business incentive schemes should reflect this. In the past, most incentive schemes have been created centrally and applied to specified inner city areas from above. As discussed in the chapter *A Revolution in Devolution*, each local authority area should be allowed to create incentive schemes to fit with local needs. The number of schemes on offer in any one area should however be as low, and the schemes as simple, as is practicable in order to reduce bureaucracy and to simplify the application procedure for entrepreneurs. Ideally, all business support schemes should be accessible on one site through the portal of the 'Town Hall Plus'

One nationwide scheme that should be retained and enhanced is the Small Firms' Loan Guarantee Scheme (see above). In designated inner city areas the turnover threshold for the scheme should be raised to £500,000 and all restrictions on the classes of business which qualify for the scheme removed to encourage the widest variety of businesses.

⁷⁶ Financial Times, 12 December 2003

Maximising the Volunteer Effort

Organisations such as the Prince's Trust and companies' individual corporate social responsibility programmes already play a considerable part in dispensing advice to entrepreneurs and small businesses. However some of these schemes can suffer from a geographical imbalance between areas where there are more volunteers than recipients and other areas, very often inner cities, where there is a shortage of volunteers. Obviously too close an association with government risks diluting the strength of the volunteer programme but there is scope for local authorities and agencies to work with voluntary groups to target their efforts to the best effect and to publicise their services more widely.

Handing the Initiative to Businesses - Business Partnership Zones

As discussed above, Business Improvement Districts (BIDs) have proved successful in powering inner-city regeneration in the USA but the additional business rates anticipated by their UK counterparts could impact on growing inner city businesses at a vital early stage of their development.

In principle, the rationale behind BIDs fits in with the thrust of our argument in that it focuses collective efforts on the business environment, not the running of businesses itself, and it empowers local businessmen to fund the improvements which they consider most necessary. Additional security and cleaning in a concentrated area could produce a mini 'zero tolerance' zone that could have a knock-on effect outside of the BID area. However the BID concept needs to be refined to make it more suitable for inner city areas.

A refinement that would improve the impact of BIDs in inner city areas would be for the additional business rates required by the BID to be deferred for the first 2-3 years of the BIDs' existence to ease the cashflow problems of new and developing businesses.

A more radical alternative would be for corporate taxes to be reduced on businesses that were members of BIDs. Such a tax reduction could be justified, as the members of the BIDs would effectively be bolstering governmental functions in their areas, notably policing and street cleaning and maintenance. This option would create a low-tax, smaller government version of the BID which, to stress the difference from the traditional BID model, could be styled a Business Partnership Zone (BPZ). The best way to lower the tax burden for members of BPZs would be to reduce employers National Insurance Contributions (NIC) as NICs are effectively a tax on employment which run counter to efforts to reduce unemployment in inner city areas.

Planning for Businesses and Communities

At present, planning restrictions are the cause of £6bn of bureaucracy and delays to UK businesses every year.⁷⁷ Although planning regulations apply all over the UK, they are a particular imposition on inner city areas where businesses have to be given every encouragement. Exemption from planning laws was a major factor in encouraging the development of the Canary Wharf complex on an old industrial zone under the London Docklands Development Corporation. Although the Canary Wharf development could not be replicated everywhere, especially as the site available for redevelopment was so large, the prime argument against unfettered development, that it would spoil the look of the local area, would be less valid in inner city areas. The proposals below set out a cure for the malaise in the system by tackling the core areas that are currently holding back regeneration of the inner cities:

- Removal of fixed use classes and creation of performance led development in economically failing areas, judged by independent professional development companies rather than planning committees
- Reducing uncertainty and risk in personal and commercial development by the creation of straightforward Authority's Targets and Community Rules.
- Establish an independent Planning Ombudsman to rule over disputed decisions of professional development teams
- Creating genuine local decision making over local development – scrap prescriptive national Planning Policy Guidance notes

⁷⁷ Report by Institute of Directors, reported in The Financial Times, 20 June 2003. Obviously this is just an estimate, but we have not seen it seriously challenged.

It is proposed that the changes described are initially limited to authorities that are deemed to be failing their communities, and that for those authorities with the lowest GDP - in the bottom 5% of all authorities, and that the proposals would become applicable for a 10 year period, or until the area has reached targets in business growth or employment. The aim is to provide failing inner city areas with an independent route to rapid regeneration by giving them the advantage over other areas nearby to attract new businesses and people.

Development Targets

The removal of the use-class system of determining land use will greatly improve the flexibility of development and remove the harm created by planning blight. In principle the local authority will set its development targets for the community over the term of its office – effectively moving its manifesto commitments into action.

The targets could be job related – possibly an intention that a certain number of jobs be created, or to measure economic success of local businesses in particular areas. Another could be the establishment of an environmental target, stating that development should aim to achieve low emissions, or include equipment above the standard levels of efficiency. However the targets would be set with the overriding aim of improving the economic position of the area for those that live and work there.

All development proposals in the community would be assessed against the targets, rather than against use-classes, with the decision process passed to independent development companies made up of professionals, paid for by the development application fees, but finally answerable to a planning ombudsman, rather than a planning committee. Each development company would have a mixture of professionals that would be able to assess the authority's development targets – and may be composed of economists, environmental consultants, planners, traffic experts – the companies themselves would be expected to offer a high quality service, working to output targets.

Development Rules

The targets would effectively act as a performance specification for the authority – a statement of where the area is moving, and what it requires from development. The development aims would be published, alongside the development guidelines and rules for the community, so that any individual or company that wishes to develop in the community can see clearly what the planned development will need to satisfy.

The community may be a collection of streets, or a parish, or any defined area that could come together once every five years, to establish, after a period of consultation, a set of community rules for the area.

The rules would also enable local communities to involve themselves in the process – allowing them to understand the system much more clearly, and to be involved in the outcome – both by electing the Authority with the best manifesto targets, but also in being involved in establishing the community rules. These rules could cover design matters, such as appropriate use of materials, heights of new buildings, or establishing special sight lines. However once the rules have been set, it will be the job of the development companies to assess the development's compliance with them, and the development targets.

The creation of such rules would enable developers and residents to understand what the community wants from new buildings or developments, and help to limit the risk associated with all development. Removal of risk also allows the reduction in risk payments and budgets, which means that projects are more likely to proceed since they are more likely to be within the initial cost plan.

Independent Ombudsman

It's recognised that not all of the development companies' decisions will be accepted by all parties, all of the time - mistakes will be made. As such it will be necessary to establish a planning ombudsman to rule over disputes that may be referred to him by either an individual, an authority, of an organisation.

It should be remembered that the development companies will be making technical decisions against established rules and targets, rather than creating policy themselves, so that the cases referred to the planning ombudsmen, would be of a technical nature – any disputed, or absent policy matters will have been referred back to the authority for a ruling to be made.

Bringing Businesses Back to the Inner Cities

The proposals above will enable enterprise to flourish in our inner cities, stripping back red tape in the areas that hinder decision-making and commitment. A lighter government touch will enable businesses to look at the inner cities as areas for expansion and freedom from restrictions that may apply elsewhere. Areas such as Canary Wharf have demonstrated the lasting beneficial influence that businesses can bring to devastated urban areas, and it is time that every inner city is given the same opportunity for change.

A Charter for Jobs (2): Employability & Employment

The quality of life in a community is to a large extent proportional to the level the employment, and the inner cities have some of the highest levels of joblessness in the UK. Improving the employability of the communities' residents, through training, improved mobility and incentives, will raise employment levels.

Background & Analysis

*'Society is polarised: it starts in the labour market, continues through social policy and ends in civil society'*⁷⁸

If there is a defining characteristic of deprived inner city areas it is high levels of economic inactivity among the population of working age. Unemployment in the lowest decile of wards by income in England is six times higher than in the rest of the country.⁷⁹

Many commentators have described how long-term unemployment leads to a 'loss of citizenship' and eventually to the rise of a 'hereditary' dependency culture.⁸⁰ Theories of citizenship, Communitarian, Liberal and Social Democrat⁸¹ regard active involvement in the workforce as essential for people to be full citizens or 'stakeholders' in society. When people are not economically active, there is a risk of becoming more disengaged from society and becoming passive recipients of welfare. This disengagement is demonstrated by electoral turnout figures, which are far lower for the jobless than for those in work, even allowing for other factors.⁸² To illustrate this point; in Liverpool Riverside, the parliamentary constituency with the lowest rate of employment in the UK (35.8%) also had the lowest turnout at the 2001 general election: 34.1%.

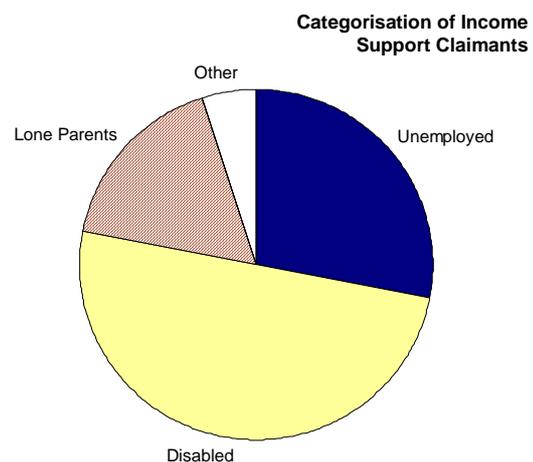
Disengagement from mainstream society in turn can lead to a sense of dependency and a lack of belief on the part of some people that they can change their lives for the better - the 'poverty of aspiration'. This 'dependency culture' can quickly become ingrained and indeed 'inherited' with a generation growing up without role models of adults in work. This trend has been noted in areas such as Rotherham and the surrounding area⁸³ but there are many other examples.

Inner City residents can only effectively exercise the choices that our reforms would offer if they believe that they ultimately can improve their situation as a result of those choices. Through providing greater opportunities to engage in the labour market and experience its rewards and responsibilities, that belief can become real.

Joblessness a Continuing Problem

Although nationwide unemployment may be near 20-year lows, pockets of long-term unemployment remain in the inner cities. For example, the unemployment rate across London as a whole is 4.9% (compared with the UK average of 3.2%)⁸⁴. Yet some London inner city boroughs have an unemployment rate much higher than that⁸⁵.

Official unemployment statistics also tell only part of the story of joblessness. In 1997, only 28% of income support claimants were registered as unemployed. 50% were classified as 'disabled' and 17% were lone parents.⁸⁶ While unemployment has declined over the last decade, the number of people included under the other categories of joblessness has rocketed. In 2002 there were more than two and



From 'Welfare to Work & the Organisation of Opportunity', Martin Evans, 2001

⁷⁸ Samfundet Polarises, I.H. Moller (Aalborg, 1989)

⁷⁹ Urban White Paper, Office of the Deputy Prime Minister (2000)

⁸⁰ Changing Labour Markets, Welfare Policies and Citizenship, p.113, Andersen and Jensen (Eds.), (2002)

⁸¹ Changing Labour Markets, Welfare Policies and Citizenship, p.282, Andersen and Jensen (Eds.), (2002)

⁸² Youth Unemployment, Welfare and Political Participation: A Comparative Study of Six Countries, Torild Hammer (2002)

⁸³ The Observer, 8 October 2000

⁸⁴ Greater London Authority and ONS Claimant Count (October 2002)

⁸⁵ London First, Regeneration – www.london-first.co.uk

⁸⁶ Welfare to Work and the Organisation of Opportunity, Martin Evans (2001)

a half times as many people of working age categorised as disabled as in 1980 while the number of jobless single parents was 330% of the 1980 figure.⁸⁷ Lone parents and incapacity benefit claimants are concentrated in the same inner city areas as the officially unemployed (see below).⁸⁸

Joblessness in all its Statistical Forms⁸⁹

The unemployment statistics tell but a small part of the story...

	England & Wales	BGIC-250
Proportion of Working Age (16-74) Population Employed⁹⁰	61%	48%
Proportion of Working Age Population Unemployed	3.4%	6.3%
Proportion of Working Age Population Permanently Sick/Disabled	5.5%	9%
Proportion of Working Age Population 'Other Economically Inactive' ⁹¹	3.1%	5.8%
Total Proportion 'Workless' (sum of 3 rows above)	12%	21%
Others (students; retirees; looking after home/family)	27%	31%
Total aged 16-74	100%	100%

The differences in economic engagement between inner city and other areas cannot therefore be expressed simply in terms of the headline unemployment rate. Other measures such as the proportion of people employed and the percentage classed as permanently sick or disabled are also important indicators of the success or otherwise of the local labour market.

Causes of Inner City Unemployment

It is in the nature of a continuously developing market economy that old industries will decline and new employers will emerge, often in different locations to the old. This has been the pattern in the UK and the rest of the industrialised world since the eighteenth century.

At present, there is not a shortage of jobs in the UK. At December 2002 there were 2.75m job vacancies advertised in job centres and government estimates suggest that this represents only a fraction of the total number of situations vacant.⁹² Even allowing for a high degree of 'churn' within the workforce there are many more vacancies than there are unemployed people. There is no lack of demand for labour in the economy. This point is illustrated by immigration which is (at least in part) encouraged by the 'demand pull' in the UK labour market, both for skilled and unskilled labour, long-term unemployment, the form of joblessness most associated with deprived areas, appears to be inversely related to the flexibility of the local labour market⁹³. The UK in general performs well in this respect compared to the rest of Europe, a more flexible labour market producing lower long-term unemployment and lower unemployment overall. Nevertheless, pockets of long-term unemployment remain in the UK's inner cities where the proportion of the working-age population who are long-term unemployed or have never worked is almost two-and-a-half times that of the country as a whole⁹⁴. We need to further the flexibility of the labour market so that its benefits are felt in all communities.

As well as addressing the question of how the government can create or encourage more jobs in deprived areas, we should ask why, if there is a surplus of jobs in the economy, do pockets of unemployment remain?

A recent government survey of the youth labour market concluded that 'there is no evidence that being resident in an inner city area with high unemployment was indicative of labour market disadvantage' and that, due to the relative proximity of vacancies in other parts of the urban area, there were fewer barriers

⁸⁷ Welfare to Work and the Organisation of Opportunity, Martin Evans (2001)

⁸⁸ Office of National Statistics Website, April 2003

⁸⁹ As with all the BGIC-250 comparisons, these data are from the 2001 census. See Neighbourhood Statistics from ONS

⁹⁰ including full-time, part-time and self-employed

⁹¹ This does *not* include full time parents/home-makers, students or retirees

⁹² Urban White Paper, Office of the Deputy Prime Minister (2000)

⁹³ Unemployment, Welfare Policies and Citizenship: Different Paths in Western Europe, Andersen and Halvorsen (2002)

⁹⁴ Bow Group 'Inner City 250' ward study

to employment in the inner cities than in more suburban or rural areas.⁹⁵ This seems brutal analysis but helps to point us to determining how we can help and encourage the inner city jobless into work, freeing up the market in terms of mobility and benefits and encouraging greater enterprise.

The three principal restrictions on the flexibility of the labour supply that we will focus on below are:

- Immobility of Labour
- A benefit system which does not sufficiently incentivise work
- Lack of skills relevant to the modern jobs market among the inner city jobless

Immobility of Labour

Despite regional differences in opportunity, British workers are not moving to the more prosperous areas to find jobs. There is a strong negative correlation between unemployment and vacancies in a region. The North East of England has the fewest vacancies and the highest unemployment and the South East the most vacancies and the lowest unemployment.⁹⁶ There are even large differences in unemployment rates between adjacent local government areas of generally prosperous regions such as the South East of England, in spite of geographical proximity and (relatively) good transport links. Overall, UK labour mobility is significantly lower than that in the USA, despite the USA's greater geographical spread. Current UK labour mobility is also lower than that of the 19th and early 20th centuries.⁹⁷ Labour mobility is lowest among the lower skilled⁹⁸ and inner city residents commute over shorter distances to work than people who live in more prosperous areas.⁹⁹

An increasing number of vacancies (both high and low skilled) in prosperous areas (such as parts of London), are filled by new immigrants to the UK, legal or otherwise, rather than by migrants from depressed parts of Britain. It would therefore appear to be easier to move from Eastern Europe or central Asia to fill job vacancies in London, the South-East or other prosperous areas of the UK than it is to move from Newcastle or Liverpool, in spite of the considerable legal, linguistic and cultural barriers standing in the way of immigrants. This indicates that the UK domestic labour market is inflexible and presents many barriers to labour mobility. Part of the solution to the issues of unemployment in the inner cities is the extent of awareness of employment opportunity in other locations and the inability to then move to take advantage of it. In many prosperous areas, for example Waverly in Surrey and Ealing in west London, council and housing association rules give preference to those already living and working in the borough.¹⁰⁰ There is also a shortage of basic hostel-type accommodation which migrant workers could occupy while establishing themselves in a new area. More widely, restrictions on residential buildings in more prosperous areas keep house prices artificially high and out of reach of those seeking to move from areas with lower demand for property. The proposals being made in this paper (see the chapter *The Place to Live*) for provision of a national housing list for example will facilitate the ability to move to alternative locations.

Consequences

Low labour mobility increases the concentration of unemployment in the inner cities. If we could improve the efficiency of the UK labour market then the relative problem of unemployment in the inner cities would be reduced compared to that of the rest of the country. However we also need to make the best use of the buildings, brown field space and resources of existing inner city areas. This paper explores other ways to enhance labour market flexibility and to increase entrepreneurial activity in the inner cities.

Benefit System not Incentivising Work

The way in which unemployment benefit is distributed reinforces regional unemployment patterns. Even under the job seekers allowance and new deal, more 'activist' benefits that require the claimant to take action to look for a job, claimants are allowed to specify geographical limits on their job search. Job

⁹⁵ New Deal for Young People: National Survey of Participants (2001)

⁹⁶ Labour Market Statistics - July 2001, National Statistics Office

⁹⁷ Labour Market Statistics - July 2001, US Bureau of Labour Statistics, July 2001, epolitix, July 20 2001

⁹⁸ Labour Market Trends, Vol.111 no.4, Office of National Statistics (2003)

⁹⁹ Bow Group 'Inner City 250' ward study

¹⁰⁰ Ealing and Waverley Borough Council Websites, July 2001

seekers also have to report to their local job centre every week¹⁰¹ an impediment to moving to look for work.

Of course, one must also look at the levels and conditions attached to benefit eligibility. We are concerned in particular that the requirement to seek work or undergo training is not always rigorously enforced. Inevitably for some people (we are not saying most or many) this factor blunts the incentive to get out of unemployment and into work.¹⁰²

Skills

Employers recognise that there is technical skills shortage in the UK workforce.¹⁰³ It is estimated that by 2008 there will be 200,000 skilled jobs vacant in London alone. Those charged with getting the inner city unemployed back into work identify poor basic skills and education as one of the principal barriers to employment. Come the accession of the new EU states, more labour from overseas will be in competition with UK workers for an increasing range of blue, and sometimes white, collar jobs.

It would seem apparent that the existing education system does not provide 16-year-old school leavers with the right level of skills to compete for jobs. Whereas 29.1% of the UK adult population as a whole do not have any qualifications, the proportion rises to over 40% in inner city communities, and 23% of UK adults are estimated to be functionally illiterate,¹⁰⁴ a group also disproportionately concentrated in the inner cities. In developing policies to improve the skills base of the jobless, we should again use the approach of treating inner city issues not as local problems but as parts of a broader labour market failure. Consequently, we should ensure that we deliver both skills that are applicable nationwide as well as for local businesses. In part we note that over-reliance on specific local industries is a cause of much of the unemployment in former manufacturing areas where major local employers closed, or cut staff numbers.

More in the Breach than the Observance: Labour's Record on Inner City Employment

Labour came to power in 1997 promising to 'get the unemployed back to work'.¹⁰⁵ However the numbers claiming income support were greater after five years of Labour government in 2002 than they had been when Tony Blair took office.¹⁰⁶ The cost of disability benefits (the recipients of which, as we have seen, are concentrated in the inner cities) has increased by greatly since 1997.¹⁰⁷

Labour's strategy has been based around a number of nationwide, top-down initiatives,¹⁰⁸ often providing good sound bite opportunities and fulfilling a desire to be seen to be doing 'something'. In total £1.4bn has been spent on regional assistance programmes since 1997.¹⁰⁹ However too often these strategies have failed to work in practice and the existence of so many initiatives complicates the picture for both jobseekers and those attempting to help them. A report by the National Audit Office¹¹⁰ showed that more than half of the new jobs created under regional assistance programmes would have been created without government support while a quarter of those created simply displaced other jobs in the area. The Department of Trade and Industry's (DTI) own figures revealed that jobs created by the Regional Assistance programme were at a cost of £21,000 per job.¹¹¹

Labour's most recent inner city redevelopment initiative is the Neighbourhood Renewal Fund, which will provide £800m for 88 depressed areas from 2001 to 2004. Although the new funding will not be ring-fenced, local authorities will have to meet organisational and outcome targets to receive it. This funding however comes at a time when concern is growing that such central government or EU funding might be ill used and not available in the future.¹¹²

¹⁰¹ Job Seekers Allowance Regulations from 1996. Prior to April 2003, claimants had to report fortnightly.

¹⁰² Activating Welfare States, Jon Kvist (2001)

¹⁰³ For example, the Institute of Directors quoted in the Financial Times, 22 July 2002

¹⁰⁴ Moser Report: "Improving literacy and numeracy: a fresh start – report of a working party chaired by Sir Claus Moser" (DfEE, March 1999)

¹⁰⁵ Labour Party Manifesto, 1997

¹⁰⁶ Daily Telegraph, 25 November 2002

¹⁰⁷ Evening Standard, 16 May 2003

¹⁰⁸ See criticism in 'The Effectiveness of Government Regeneration Activities', Report of the Commons Urban Affairs Sub-Committee, April 2003

¹⁰⁹ BBC News Website, 17 June 2003

¹¹⁰ National Audit Office, 17 June 2003

¹¹¹ BBC News Website, 17 June 2003

¹¹² The Observer, 8 October 2000

The cornerstone of Labour's approach to long-term unemployment has been the New Deal, given expression mainly through the Job Seekers' Allowance (JSA). JSA claimants are required to sign a contract stating what they will do to find work as a condition of receiving benefit. Participation in the New Deal programme, with its more stringent conditions for the receipt of JSA benefits is compulsory for those between 18 and 24 who have been unemployed for more than six months, or for older workers who have been unemployed for longer than two years. Under the New Deal programme, claimants can have their benefits withdrawn for between two and four weeks if they fail to take part in a job or training scheme.¹¹³ Receipt of the JSA was intended to be conditional on the claimant actively looking for work. However, recent independent studies based in the West Midlands have shown that proper procedures are rarely followed and that effective checks that work is being sought are not carried out.¹¹⁴

JSA claimants are also allowed to specify geographical limits on their job search and have to report to their local job centre every week.¹¹⁵ Together, these clauses are an impediment to encouraging the unemployed in high unemployment areas to move to find work, a trend noted particularly among recipients who attended the New Deal voluntary or environmental programmes.¹¹⁶ These restrictions have contributed towards the relatively low number of permanent jobs created through the New Deal. It is estimated to have cost, on average, £16,000 to create each of these jobs.¹¹⁷ In high unemployment areas, the cost of creating jobs has been even higher.¹¹⁸

Other Labour programmes have been no more successful. The ONE programme was designed to help the full range of the jobless (the unemployed, single parents and those claiming disability benefits) back into work. However despite a total cost of £116m,¹¹⁹ it has been found to have had no effect on improving the long-term employability of those who followed the programme. Employment among job seekers who attended some of the training courses offered under the new deal was actually lower than that of people who had attended no courses.

Another high-profile initiative was to require all single parents to attend a placement interview, which would help them to find work. However only 17% of lone parents received invitations to an interview and only 14% eventually attended one.¹²⁰ The scheme carried no further incentives to obtain work.

In a drive to improve the workforce's skill base, Individual Learning Accounts were introduced in 1998 but appear to have driven many fraudulent claims¹²¹ and are not to be continued¹²² under the 2003 Skills Strategy White Paper. Under this latest initiative, the unemployed in twelve pilot areas will have their basic skills tested and those who fail will have to attend courses to improve them. Failure to attend the courses will lose £10 per week from their benefits, while they will receive £10 if they attend – and more if they pass the courses. Again, the aim of the scheme is laudable but the outcome is uncertain, especially given the relatively modest penalties for non-attendance.

Policy Proposals

Encourage Labour Mobility

“Economic decline outstrips the ability to regenerate” – one of the eight key conclusions of the ‘Joining it up Locally’ Action Team¹²³

The experience of the Twentieth Century has demonstrated that governments are not effective or efficient at creating sustainable jobs. Governments can however create a political and fiscal environment under which the unemployed can benefit. People are likely to make responsible decisions if given the chance; the role of government should be to make it easy and rational for the unemployed to seek and find work, in inner cities or outside.

¹¹³ What Future for Social Security, Jochen Clasen (ed.) (2002) p.238

¹¹⁴ Activating the Unemployed: The Street-level Implementation of UK Policy, Sharon Wright (2002)

¹¹⁵ Job Seekers Allowance regulations from 1996 onwards

¹¹⁶ New Deal for Young People: National Survey of Participants (2001)

¹¹⁷ National Institute of Economic and Social Research: The New Deal for Young People: Implications for Employers and the Public Finances (December 2000)

¹¹⁸ BBC Website, 20 January 2003

¹¹⁹ Department of Work and Pensions Report, quoted in the in the Daily Telegraph, 25 February 2003

¹²⁰ Chancellor's Pre-Budget Report, 25 February 2003

¹²¹ Daily Telegraph, 10 July 2003

¹²² Except in the fields of Information and Communication Technology

¹²³ National Strategy for Neighbourhood Renewal, Social Exclusion Unit (2000) p.26

A recent study of over 1,700 urban wards¹²⁴, suggested that, despite billions of pounds pumped into major urban centres in the Midlands and North in regeneration funding, these areas were lagging ever further behind the South East in terms of competitiveness with absolute competitiveness declining in some areas.¹²⁵ Internationally, similar efforts to regenerate declining parts of Japan have also failed¹²⁶ while massive regional programmes to support the former East Germany and southern Italy have succeeded only in keeping wages high and productivity low in those areas and so damaged their long-term competitiveness.¹²⁷ Recent government policy has acted to restrict growth in the most successful areas of the country, especially through restricting housing development in the South East.

This is not to say that inner city areas cannot be revived – indeed there have been many examples within the UK of the centre of cities and former industrial areas being successfully redeveloped. In addition to the London Docklands, the Salford Quays development and riverside areas of Liverpool, Newcastle and Sunderland stand out as notable UK examples. Our proposals to encourage inner city commerce and improve transport links would further these trends. A recent study has also shown that selling houses in ‘sink estates’ to private owners improves the appearance and reputation of formerly disadvantaged areas.¹²⁸

A balance should be struck between residential and commercial development in inner city areas. As discussed in the chapter *A Charter for Jobs (1): Enterprise*, we should look to rebuild entrepreneurship in urban areas and the sections on ‘Active JobTrain’ and Skills below describe how we can develop the abilities of existing inner city residents to allow them to play a full part in this resurgence.

Sign on anywhere; look everywhere

Job seekers should be permitted to sign on at any job centre/Town Hall Plus in the country (with suitable precautions to provide against fraud or funded ‘holidays’). As job centres can already receive notification of jobs across the country, job seekers should have their parameters expanded to apply for any of these or risk losing benefit as not fully seeking work under more ‘activist’ benefit programmes. As detailed in the following section, the requirement for claimants to undertake certified training, study or work when on the ‘Active JobTrain’ programme would preclude a claimant from making fraudulent claims in more than one office.

Reverse Commute Fares

Inner city residents are less likely to own a car than the population as a whole and are more dependent on buses and trains to get to work.¹²⁹ Consequently we should reduce the transport costs of inner city residents who work in more prosperous areas. This need not take the form of a direct government subsidy. Rather, as rush hour buses and trains which travel ‘against the flow’ of standard commuter traffic are relatively empty, an economic case can be made that there is a low variable cost for bus and train companies in carrying passengers in this direction. Consequently lower fares (targeted only at the disadvantaged, so as to prevent revenue cannibalisation) would allow the most efficient use of existing resources, the extra income allowing the transport company to offset a proportion of its fixed costs. Regulation affecting pricing levels should be amended to allow this, and government should create a certification system for eligibility; the market will do the rest. This reform would have the greatest impact in London and the South East. However, it would also bring benefits to other urban centres and their hinterlands with good connections by public transport.

‘Active JobTrain’: Refining the Benefits System

Although encouraging greater labour mobility would reduce unemployment differentials on a regional level, it alone would not redress unemployment in areas such as inner city London boroughs which are in close proximity to economically successful areas.

At present, the low level of conditions attached to receiving unemployment benefit mean that there is, for some people, a reduced incentive to get a job at a low level of pay as the claimant would gain only a little extra money while ‘giving up’ 37 or 40 hours a week, and incurring travel expenses getting to work.

¹²⁴ Financial Times, 28 October 2002

¹²⁵ The State of Urban Britain, Robert Huggins Associates (2002)

¹²⁶ Financial Times, 13 January 2003

¹²⁷ Financial Times, 12 February 2003

¹²⁸ Report by Judi Watkinson for the Joseph Rowntree Foundation, quoted in the Daily Telegraph, 30 April 2003.

¹²⁹ Bow Group ‘Inner City 250’ ward survey

Receipt of unemployment benefit should require a much more activist approach on the part of the claimant so that this formula changes; you would not be 'giving up' 37 or 40 hours a week, because you didn't have them in the first place. This factor is especially significant in the inner cities as not only is the overall level of unemployment higher, but the locally available jobs, at least in the short-term, are likely to be lower paid than in the rest of the country.

All of those out of work and claiming benefits should take part in an 'Active JobTrain' programme. Under this scheme, receipt of benefits would be conditional on proof of actively seeking work or attendance at an approved training scheme or community works programme. Non-attendance should be penalised by loss of all benefits for that proportion of time for which the claimant did not attend. This sanction would apply to all benefits and would not carry any limits such as the four week limit under the New Deal.

The prime aim of the 'Active JobTrain' programme would not be to provide work for the unemployed but rather to equip them with the necessary skills, and incentivise them to find work for themselves by making the conditions of receiving benefits more onerous. It is notable that the American government provides little assistance to the unemployed in finding work yet mobility of labour is higher there than in the UK.¹³⁰

As discussed above, a key factor inhibiting the employment of many of the inner city jobless is limited education and skills. Improving these skills, especially basic literacy and numeracy, would be a key priority for the 'Active JobTrain' programme.

On entering the programme, claimants' existing skill sets would be assessed and a programme tailored to their development needs. The claimant would then attend education or work-based training programmes or community works schemes as a condition of their receiving benefits. At the same time the claimant would be guided into obtaining a job.

Implementation

The trend in benefit regimes for the unemployed has been towards more 'activist' schemes although the regimes have often not been properly implemented on the ground. Given the problems experienced by job centre staff in implementing the provisions of the New Deal, it may be as difficult for them to effectively implement the 'Active JobTrain' regime advocated.

Private employment agencies have been employed with success in getting the unemployed back to work in other European countries and in certain areas of the UK, notably in north London.¹³¹ The role of private agencies should be extended to cover all inner city areas with the agencies recompensed according to their success in getting the unemployed back to work in the shortest possible time.

A private agency would win a contract from the government to operate the job centres in a defined inner city area. The agencies would comply with government-set benefit rates and conditions and would get money from the government to pay benefits at their current rates.

Crucially, however, the private agencies would be compensated on how quickly the unemployed people for whom they were responsible got back into work. The base rate of compensation would be calculated on the existing speed of success. As with most privately financed government schemes, the profit margin paid to the agency would be offset by the benefit payments saved through getting claimants back into work sooner.

Being incentivised, private agencies would be better placed to properly enact activist benefit legislation. The agencies would also be responsible for determining which of the education and training courses under the 'Active JobTrain' programme were the most appropriate for getting each claimant back into work.

As leases come up for renewal (or can be sublet without loss), Job Centres should be gradually integrated into the local Town Hall Plus (see the chapter *A Revolution in Devolution*). This would further this paper's theme of simplifying the provision of government services. In particular, job centres could be integrated with libraries, allowing jobseekers easier access to learning resources.

¹³⁰ Although additional local employment opportunities are likely to be created in the UK if the reforms discussed above succeed in encouraging inner city businesses.

¹³¹ Welfare to Work and the Organisation of Opportunity, Martin Evans (2001)

Disability Benefits

No great cataclysm has occurred since 1980 to cause a 250% increase in disability benefit claimants.¹³² However the rapid growth in the numbers of disability benefit claimants would suggest that this has been the case. This increase is in spite of the changing nature of work and more stringent workplace health and safety legislation, which means that fewer people are injured at work.

Under modern disability rights legislation it is easier (and indeed required) that disabled people can perform an increasing number of jobs, especially office based, secretarial or call centre work. Moreover, although many disability claimants are aged over 50, anti-ageist legislation now also protects their rights and opportunities at work. Consequently although the search parameters of disabled people will be limited, they would go through essentially the same programme as those on JSA.

There is certainly a case for the use of other medical practices to assess the claims for disability payments – both to relieve the pressure on local GP practices, and to ensure that the traditional patient-doctor relationship is not tainted by being linked to a patient's potential loss, or gain, of income. Such medical practices would be given the power to determine whether a claimant is justified, or should be referred to the 'Active JobTrain' programme. Savings from the use of a more rigorous medical examination programme should make the change self-financing, and would also have a significant beneficial effect on local GP practices.

The Next Generation

The adult education for job seekers proposed above, seeks to redress the past failings of the inner city education system. However we also need to focus on current and future education for inner city children so that their future employability and skills are enhanced.

As discussed in the chapter *The Future Starts Here: School*, the establishment of Charter Schools in inner city areas through the introduction of greater parent choice would enhance the quality of education in the inner cities. This would ultimately lead to a more highly skilled and more employable workforce.

As part of the freedom granted to Charter Schools, pupils should be allowed to follow a more vocational curriculum from the age of 14 onwards if felt beneficial. This would offer them the opportunity to gain practical skills and, by being more relevant, possibly reduce truancy.

Implementation Requirements

As with many reforming programmes, the introduction of the schemes advocated in this chapter depend as much on the existence of the political will to carry them out as on the cost or practicalities of their introduction.

Hearts and Minds

Political rhetoric has outstripped delivery in this area in recent years, both in the UK and overseas. However, almost all philosophies stress the importance of activity and employment of citizens as part of a successful society - a philosophy shared by politicians of all parties.

The 'Active JobTrain' scheme would be a positive step forward, indeed by offering expanded training programmes, the long-term unemployed would benefit. Those out of work would be asked to work, or to train, which would be to their advantage. Such an exchange would be a form of social contract to which all in any society are subject.

Furthermore, the current political trend is to move away from unconditional benefits. This can be seen in the increasing proportion of benefits that are means-tested and the decoupling of pensions from earnings.

Taken together, these proposals will aid employment in the inner cities by creating a more employable workforce, better trained and educated, and incentivised to work through supportive and constructive agencies, centred on individuals needs and responsibilities to the community and society.

¹³² Welfare to Work and the Organisation of Opportunity, Martin Evans (2001)

The Needle & The Damage Done

The use of, and trading in, Class A drugs – at least the ones we’re concerned with – is a much more serious problem in inner cities than elsewhere, and is one of the five Drivers of Despair we talked about in chapter one. Drug use is higher in inner cities than elsewhere. More importantly, serious addiction to expensive drugs such as heroin and crack cocaine – which lead to crime – is significantly higher in inner cities than elsewhere. Civil disorder and crime are also higher in these areas of high drug use¹³³. Solving the drugs dilemma is a fundamental part of turning the inner cities round. What’s more, some solutions to the drugs problem that involve regular contact with the addict are actually easier to deliver in inner cities, because of the density of population and relatively good transport links. Any piece on drugs inevitably talks about users and dealers. But fundamentally this chapter is much more about *everyone else* – the innocent victims of the massive hard drugs market.

Background and Analysis

The Scope of the Problem

The public perception is that drugs are pervasive throughout our society. Regular drug-related stories in the tabloids have a strong effect on the national view of the problem. But many of these stories focus on the user of recreational non-addictive drugs, particularly where there has been a distressing and fatal case.

In reality these stories do not highlight the main problem. Occasional teenage deaths from drugs like Ecstasy, though tragic, misdirect the public focus from the more pressing problem, which is the unregulated supply of physically addictive narcotic drugs, particularly opiates. The social effects of these drugs – both through associated crime and through the damage done to the communities where drug addiction is rife – represent the real problem posed by drug misuse. Nowhere are these problems more acute than in inner cities. With this in mind, this chapter focuses on those drugs that are strongly physically addictive, carry big profits to dealers, and lead to severe knock-on crime and social problems – primarily heroin and crack cocaine.

In total, 3,764,000 people in the UK used drugs of some sort in the last year, with by far the largest type being cannabis (3,357,000). 1,028,000 people used class A drugs of some sort in the past year, of whom 473,000 used class A drugs of some sort in the last month¹³⁴. Of the total users, it is estimated that there are about 200,000 users whose lifestyle is “chaotic” and severely disrupted by drug use. Drug use resulting in serious social problems stems principally from these 200,000 severely addicted people. About half of the severely addicted people use crack and heroin – as the

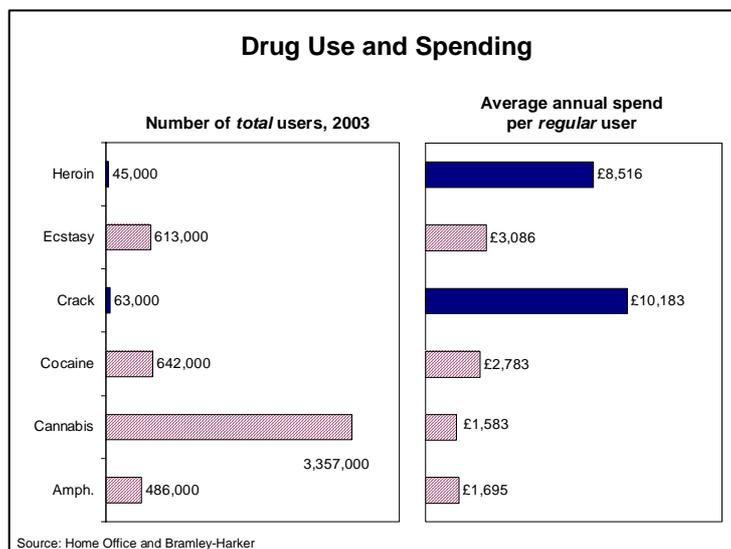


chart below shows, relatively few people use these drugs, but the cost of maintaining a regular habit is enormous. Consequently, most drug-related crime is committed by a relatively small number of people seriously addicted to hard drugs. There are approximately 100,000 seriously addicted hard drug users who finance their addiction primarily through crime¹³⁵.

¹³³ Geographical Variation on Drug Use – Key Findings from the 2001/02 British Crime Survey for England and Wales, Rebecca Aust and Joanne Condon, 4 December 2003 p19

¹³⁴ British Crime Survey, 2002/03 reported in Home Office Findings Briefing 229. Note that some people used more than one drug and so adding numbers in the figure below will lead to a higher total.

¹³⁵ Annex A to Drugscope’s submission to the House of Commons Home Affairs Select Committee

Recent research from the EU European Monitoring Centre on Drugs and Drug addiction reveals that the UK had the highest level of drug misuse in Europe. Despite having relatively harsh drug enforcement laws, out of 7,266 deaths from overdoses of illegal drugs across the EU in 1999, 3,485 were in the UK.¹³⁶ In the UK, there has been a 55% increase in drug related deaths since 1985, and once again, the primary drivers of this are opiates and their substitutes.

The social consequences of drug use

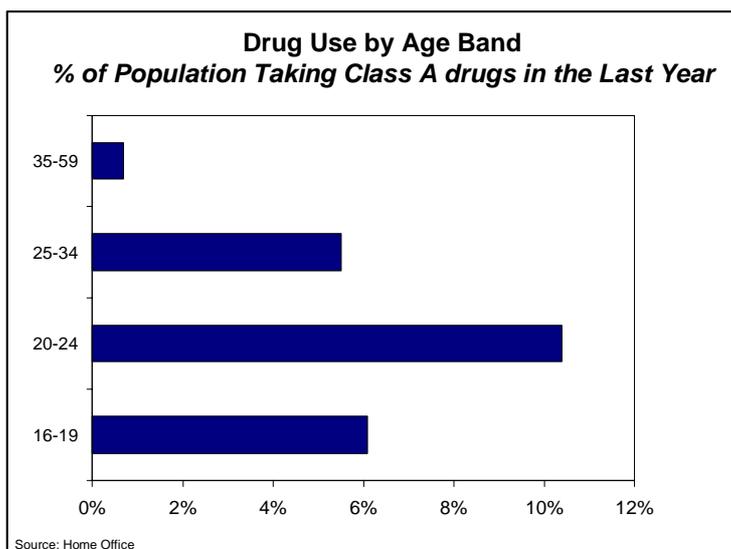
Serious drug misuse – of drugs such as cocaine and heroin – has devastating social consequences, most of all in inner cities. Recent research¹³⁷ shows that 32% of serious drug users were living in unstable living conditions, for example experiencing intermittent periods of homelessness. Many had reached the stage where their life revolved around drugs and 53% were in debt. Almost half had a partner who was a current drug user and over 66% had some kind of personality disorder. 47% had experienced a period of alcohol dependence. Almost all (84%) had been arrested for a criminal offence mainly, theft, shoplifting, fraud and drug dealing. The average expenditure on drugs amongst the most regular users was a staggering £312 per week, or £16,224 per year.

Joseph Rowntree Survey Conclusions

“Problem users are generally more isolated than young recreational users. Their comments emphasised a lack of close friends, a distrust of authority and a feeling of stigmatisation. They also have...a more fatalistic outlook than others”

“Among interviewees in deprived areas, fatalism and family breakdown among young people did coincide with drug use...however these characteristics only apply to a minority of [serious] young drug users, primarily in deprived areas”

From The Substance of Youth: The role of drugs in young people's lives today



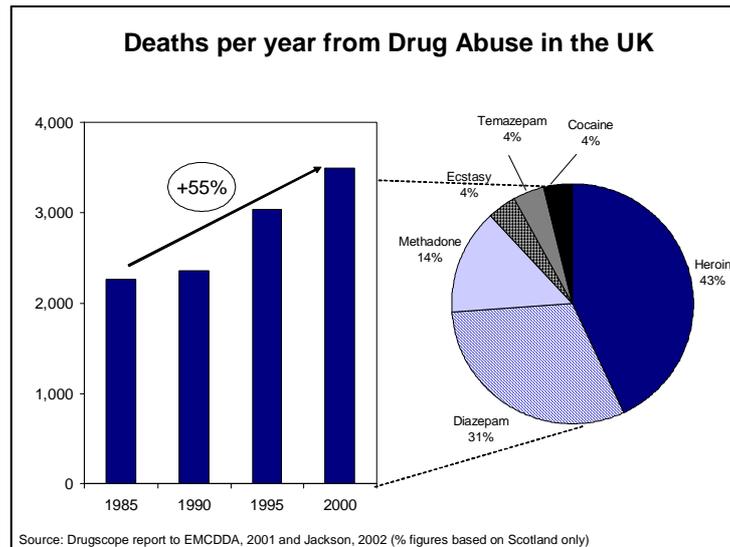
Most crimes are committed by young males in the 16 –24 age range, who then move on from criminal behaviour. However, if they become drug addicts the option to drop out of crime and identify themselves with more desirable and aspirational behaviour (for example, getting married, having children, developing a career and a home) has usually passed them by, and their criminal career is lengthened and intensified. The figures below show that over half of Class A drug users in the 20 to 24 age bracket continue to be users in the 25 to 34 age bracket. Research indicates that it tends to be

conditions of social deprivation that predispose members of a community towards drug addiction, and that these problems gestate through the teenage years, and manifest themselves fully in the early 20s. In fact, some research suggests that most addicts have been involved in crime *before* becoming addicted¹³⁸. This suggests that the more wide-reaching social policy proposals elsewhere in this paper (for example, on education and families) will also be crucial in combating drug problems.

¹³⁶ www.transform-drugs.org.uk/labour htm and Report to EMCDDA by Drugscope

¹³⁷ Home Office Research, development and Statistics Directorate, Research Findings no 120. The impact of methadone treatment on drug misuse and crime. 221 opiate addicts beginning treatment at a NHS community-based clinic in Hackney East London were interviewed about their drug use and related health issues and offending. The research was conducted between July 1995 and April 1998.

¹³⁸ Annex A to Drugscope's submission to the House of Commons Home Affairs Select Committee



The link between drug use and Crime

The correlation between drugs and crime is well established. Incredibly a third of all crimes are linked to drug use. This is primarily through addicts committing crime to finance the purchase of drugs¹³⁹. Moreover, approximately 65% of people arrested test positive for drugs at the time of arrest. In one survey, 24% tested positive for opiates, and 15% for cocaine. Most drug related crime, though, is driven by heavy users of heroin and crack who commit acquisitive crime to fund their habit. Estimates suggest¹⁴⁰ that about 100,000 serious addicts fund their habit through crime, and this relatively small number of individuals are disproportionately responsible for drug driven crime – “this group ... commits a very large amount of shoplifting, burglary and other crime to finance drug purchases¹⁴¹”. The average arrested heroin and crack user has an illegal annual income of £15,000. This is principally financed by:

- Theft
- Burglary
- Robbery
- Handling Stolen Goods
- Drug Dealing
- Benefit Fraud

Furthermore, 52% of male inmates and 58% of female inmates reported some degree of drug dependence. 21% of male remand prisoners and 23% of women prisoners reported opiate dependence prior to incarceration¹⁴². The National Treatment Outcome Research Study found that, amongst 1,100 opiate users, 61% had committed a crime (other than possessing drugs) in the three months before being admitted for treatment. Similarly, a survey of 220 addicts on a heroin treatment programme found that 80% had been arrested in the past and two thirds believed that there was a strong link between their drug addiction and criminal activity. Half claimed their offending was solely for the purpose of funding their drug habit. The victims of this criminal activity are ordinary members of the public – disproportionately the residents of the rundown cities of our inner cities, but not them alone.

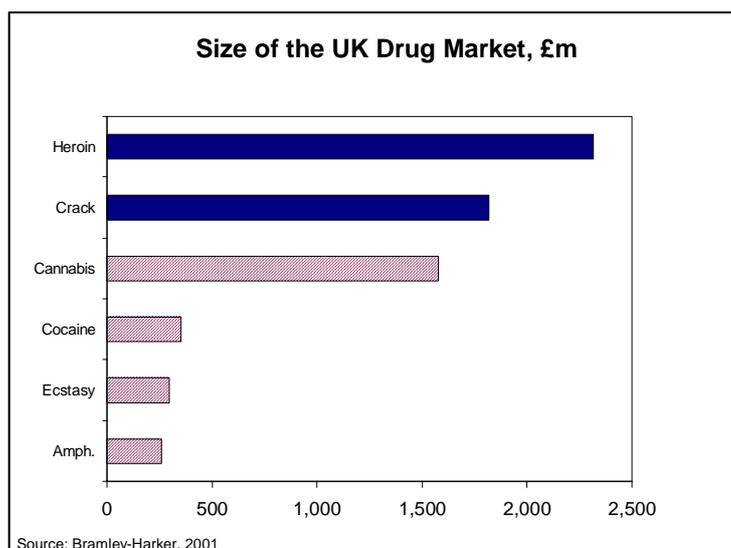
Put simply: if we are serious about making a material difference to personal safety and quality of life in the inner cities, we *must* find a way to deal with heroin and crack use – and a way that makes a dramatic reduction in the knock-on crime, and does so quickly. We owe that much to all the non-addicts – the parents and the children – on those estates.

¹³⁹ ‘Prudence for a Purpose’, Government Spending Review, 2001-4 (2001)

¹⁴⁰ Annex A of Drugscope’s submission to the Home Affairs Select Committee

¹⁴¹ Ibid.

¹⁴² Ibid.



The economics of drug supply

The supply of drugs is an economic activity. Unfortunately, this tends to encourage the expansion of drug addiction and drug related crime in urban areas, where population densities enhance market conditions to make it extremely profitable for those involved in the business. The chart shows that the market for major types of drug in the UK stands at about £6.5 billion per year; to put it in context, that's about half the size of the UK tobacco market.

In this chapter, we assume the following:

- Given the large amounts of money to be made it is unlikely that sentences for dealers can be harsh enough to ever prevent somebody else wanting to take up the role¹⁴³.
- It is doubtful that drug addicts can be deterred from using drugs by the threat of custodial sentences. Fear of punishment is little motivation for a drug addict.
- As all addicts cannot be locked up all the time, there will always be a market for illicit drugs.

Given these assumptions, simply making drug taking and drug dealing illegal will not stop it from happening. This is of course what experience teaches us – a £6.5 billion market has developed. By effectively allowing illegal dealers to monopolise supply to this large market, governments have a) allowed illegal pushers to control the market and b) allowed prices to be pushed up because supply is effectively restricted. The high prices that dealers can charge lead to high profits, and therefore a high incentive to continue dealing, despite the risks. It also means that there are plenty of eager “entrants” ready to replace any drug dealers who are caught by the Police. Under these circumstances, illegal supply and high prices will almost inevitably continue.

The high price the addict pays for maintaining his habit often means that he has limited ways and means, nearly all of which are illegal – mugging, robbery, prostitution – to fund his habit. The upshot of this is that many innocent people become victims of acquisitive crime to fund addicts' purchasing.

There are further consequences. There is no mechanism in the market that we would normally expect to protect and promote consumer safety. There is no brand reputation to protect in the world of drug pushing. There is no quality control. Many addicts die simply through the variable quality of the drugs on supply. The drugs identified in this chapter can be adulterated with anything from talcum powder and flour through to rat poison.

To date the policy of legally restricting addicts' access to drugs is simply not working. Drug usage remains high despite a largely prohibitory policy. The ruinous effects of the drug are usually the grounds for justifying the severe penalties. Yet lack of the drug and the constant preoccupation with obtaining it exacerbates the abnormal behaviour of the addict even further. On the other hand, many addicts can be reasonably physically and mentally balanced when they are on the drug.

Lastly, this one-size-fits-all approach to drug addiction is relatively new. The number of drug addicts is now very high but it was not always the case. A decision to stop most GPs prescribing heroin was introduced in the 1960s. It is arguable that this decision contributed in part to the problems that are with us now. The change of policy took treatment away from the GP (including the prescription of heroin) to a system where none but a very few doctors could prescribe drugs. This change in policy threw addicts out of the system and created more of a reason for drug pushers to be in the market.

¹⁴³ Unless detection rates increase by orders of magnitude

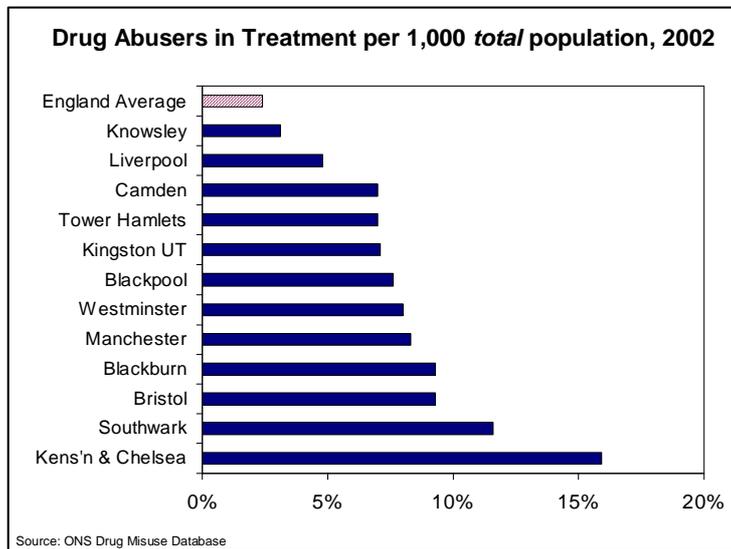
Recent Government Policy

In 1998 Labour launched its 10-year drug strategy. A ‘Drug Tsar’ was appointed and an inter-departmental agency was set up (the Anti Drug Co-ordinating Unit) to oversee the strategy’s implementation and key performance targets. Today this “strategy” has fizzled out: the department has been absorbed into the Home Office and the key performance targets have been criticised as unrealistic and inadequate. Not only is there no base line data for a number of the indicators, but the only target for which reliable data exists (reducing young peoples use of heroin and cocaine by 25% by 2005, 50% by 2008) shows a rise in young people’s use of heroin and cocaine over this period.

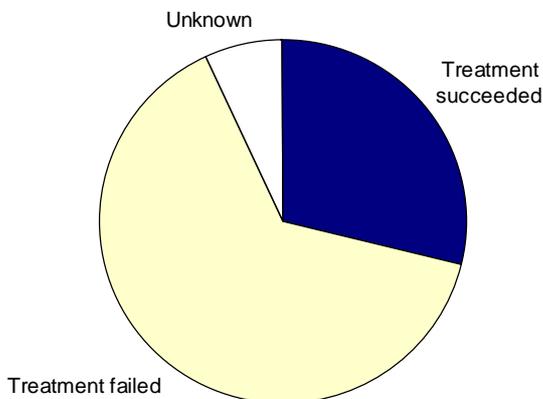
David Blunkett has recently reclassified cannabis as a Class ‘C’ drug, meaning that possession for personal use would no longer be an arrestable offence. This is welcome in so far as cannabis use does itself not pose the serious problems of harder drug addiction and so there is no point in wasting undue resource there. Equally, this reclassification measure in itself will make no difference at all to the core of the problem – which is the relatively small number of heavily addicted people on smack and crack – unless the resource freed up by the reclassification is consciously redirected on these more pressing problems.

The recent government document Updated Drug Strategy retains a tough approach to combating Class ‘A’ drugs. However, the current approach to treatment is highly ineffective, for two reasons:

1. Participation is low in the worst affected and most deprived areas. As the chart illustrates, the places in which treatment participation is high are richer urban areas – Kensington & Chelsea and Kingston-upon-Thames in London are both affluent areas high on the list. The most deprived areas where you would expect to find the most addicts have low participation rates – Knowsley (which has a well-documented problem) barely has a higher proportion of the population in treatment than the national average. This must mean that large numbers of people in the most deprived areas are not being treated.



Outcomes for People Exiting Current Drug Treatment, 2003



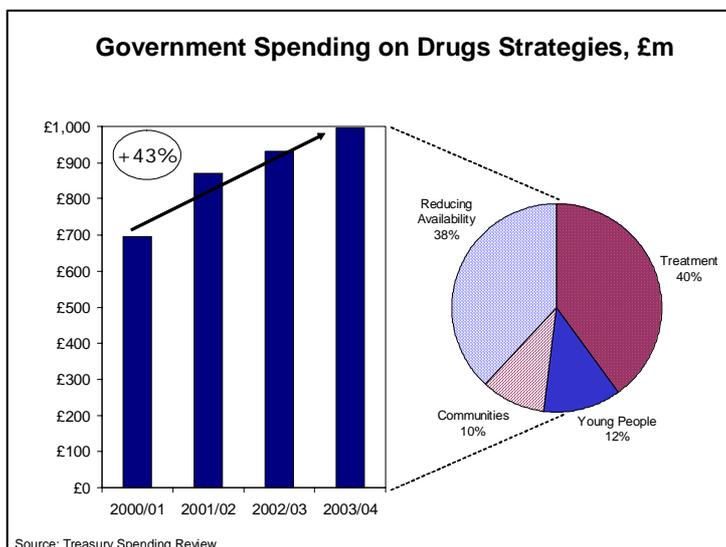
Source: ONS National Drug Treatment Monitoring Service

2. Treatments given are not realistically suited to many addicts. Two thirds of those coming out of current treatment programmes have been failed by them (see chart)¹⁴⁴. This is partly driven by the failure of the current treatment regime to recognise the addict’s physical need for the drugs to which they are addicted during treatment.

¹⁴⁴ ONS reporting of the National Treatment Monitoring System, 2003

In the absence of any creative or effective policies, the government has resorted to its favourite tactic – spending substantially more taxpayers’ money. The graph below illustrates the growth in drug related expenditure and how it is spent. Needless to add, despite this huge increase in expenditure, there has been no material improvement in the numbers of serious drug addicts, treatment of drug addicts, deaths from drugs or crimes perpetrated by drug addicts (and in fact many such measures have got worse). The taxpayer’s money has not been effectively spent. This is especially true of the inner cities.

A more radical approach is needed.



Policy Proposals

The proposals made in this section will reduce the economic incentive to supply drugs whilst simultaneously providing addicts with treatment, and a way to deal with their habit without resorting to crime. This will combat the drugs problem and remove the need for the addict to commit crime to fund their habit. This chapter offers a dual approach to heal the addict and remove the supplier. Its principal impact on the average citizen – especially in inner cities – will be to reduce crime.

Taking control of the problem

Cut out the dealer; remove the need for the addict to commit crime. Addicts will always have an insatiable demand and the dealer will always supply for the highest possible prices. The important point is to disrupt dealers’ stranglehold on supply to addicts.

Drugs that create a serious physical addiction and consequently cause high levels of crime (principally cocaine and heroin) should be available to existing addicts at state-provided controlled centres of distribution. This does not mean a free supply of heroin and cocaine. But it does mean that those who are addicted and would otherwise commit crime in order to fund their addiction would be prescribed the drugs to which they are addicted in a specialist controlled, clinical, environment. This will also remove a significant portion of dealers’ income.

For the average citizen – especially in the inner cities – this proposal will mean lower levels of crime. The only people to suffer will be drug dealers.

Prescription centres should be set up to provide a clean and controlled supply of the drugs. There should be a centre in all major conurbations. This should be linked to rehabilitation facilities. Realistically this would, of course, place a further additional strain on the health service (but this chapter suggests the administration could possibly be managed by a third party, and part-funded from insurance companies who clearly have a lot to gain if we reduce the amount of crime and the inevitable claims on insurance). Certain regulations should operate in these centres:

- A consultation with a health professional must be held in advance of any prescription to certify that the patient is a “user”. This certification should take place every six months, and would include the issue of a photo-ID entitlement card, without which prescriptions will not be given

- All prescriptions must be taken in the centre, and may not be taken away. This will prevent seepage into the wider community and force very regular visits to the centre by the addict. This kind of solution is particularly applicable to inner cities – with high population densities and good transport links – where such regular contact with the prescription centre is feasible
- A small charge could be levied, along the lines of a prescription charge, but much lower than the street cost of funding the habit. In this way, there would not be financial indifference to consumption, but also not a ‘requirement’ to commit crime to fund it.
- The physical surroundings of the centre should not be unduly congenial and there should be a short wait and forms to fill in. This will discourage casual use.
- The centre will be a specialist “stand-alone” centre, and not simply be administered as part of another organisation’s duties
- Once a user is on the programme, there is the opportunity to coax and coach them onto a full rehabilitation programme. (The already-announced Conservative policy of a massive increase in the number of available rehab places is of course a pre-requisite for this). Like giving up smoking, the user has to *want* to pack it in for rehab to work.

Despite the cost, it is worth remembering that drug and drug related crime is a significant proportion of all crime in this country. The cost of crime and the fear of crime are likely to be more expensive to society as a whole than supplying the drug to addicts and thereby removing them from the clutches of the suppliers.

Joseph Rowntree Report – the prescription of drugs

Recent studies from Switzerland and the Netherlands have provided evidence that “prescribing heroin is feasible in specialist clinical settings; it succeeds in retaining people in treatment; there are health and social gains. Patients improve in most areas – their physical and mental health are noticeably better, illicit drug use and crime are reduced, and employment increases.”

“The benefits [of prescribing Heroin] may include: attracting people not attracted to other treatment programmes; helping people reduce or remove their heroin dependence; reduce the likelihood of associated health problems (e.g. overdosing, using unsafe injecting practices that can lead to infection); reducing acquisitive crime to fund drug habits, resulting in lower criminal justice and prison costs”

There should be “a clear strategy for increasing the provision of heroin prescribing to ensure all eligible drug users have access to this treatment...expansion needs to be done in a systematic manner, and subjected to scrutiny”

From: *Prescribing Heroin – what is the evidence?* Joseph Rowntree Foundation, 2003, by Prof. Gerry Stimson and Nicky Metrebian

Such an approach is unlikely to increase demand. Any system would require the user to be an addict in the first place and the dosages could be controlled or moderated before they got to uncontrollable levels or moved on to even more lethal or addictive behaviour.

A broadly similar approach has been shown to work in Switzerland. Switzerland, which was once considered to have the highest rates of heroin addiction in Europe, has introduced a prescription policy to cope with its heroin addicts that is not dissimilar to the policy advocated in this chapter. Such is the programme’s success that some of its supporters would like to widen it to include other narcotics such as cocaine.

Each addict who attends the centre is provided with a clean syringe and a numbered ticket to ensure that the addicts use the room for injections in a reasonably orderly manner. The net result is that parks such as the Platzspitz park in Zurich once referred to as ‘Needle Park’ are now clean of the addicts that used to regularly use the park for the illegal purchase of heroine. The park has now returned to the normal activities you would expect to see. Harm reductions methods such as these have brought down the number of deaths from drug addiction. In 1985 there were 120 rising up to 419 by 1992 the figure is now down to 197.¹⁴⁵

Decriminalisation is not being advocated. The provision of drugs does not mean that drugs will be decriminalised (or legalised). Rather, access will be allowed to addicts in controlled circumstances. Simply legalising or decriminalising drugs would be bound to send a signal to everyone that drugs are acceptable and it would widen the potential market and have more damaging affects on the population.

Stringent law enforcement: This must remain in place. Law enforcement needs to be strict and uniform to ensure that you do not clean up one area it pushes the problem to another.

Aggressive law enforcement should be aimed squarely at the suppliers rather than the users. It may even be possible to step up the level of enforcement on drug dealers as less attention is focussed on the user. This is to be part of a two-pronged attack to ensure that the supply of drugs is neither lucrative nor easy. It

¹⁴⁵ <http://www.suchtund aids . bag . admin . ch / imperia / md / content / drogen / 22 . pdf ? PHPSESSID = 2b51f2440f406fb1e729031f054db83b>

should be made a condition of parole for those drug addicts leaving prison that they participate in clinically-administered drug rehabilitation programme.

Summary: These proposals are not a soft option, and do not represent legalisation. Rather, the controlled prescription of drugs to carefully screened addicts is designed to protect the public from the crime that is currently committed by the highest-usage addicts – and provide a realistic entrée into a much-expanded rehab programme. Aggressive pursuit of drug dealers should be continued, and indeed stepped up.

Remove the addiction

Simply supplying addicts with drugs in the absence of treatment will result in reliance on state provision of narcotics rather. Provision of drugs as described above must therefore be accompanied by a treatment programme. Methods that are in current use need to be expanded more widely to encourage addicts to remove themselves from addiction completely. Treatment programmes should be delivered at the prescription centres. The sight of people successfully kicking the habit will be an encouragement to those on the prescription programme. We would like to start innovative pilot schemes as soon as possible.

Prescription Clinics to offer social work and psychotherapy as well as medical help to the addict: Addicts are not usually motivated to help themselves. Drug addicts come out of prison but the factors driving them to addiction stay with them. Clinics where drugs are to be made available should be a one-stop shop for drug rehabilitation treatment, closely allied to an enlarged drug court system in the United Kingdom.

Expansion of Methadone treatment: Methadone is and has been used for treating drug addicts for some time.¹⁴⁶ Methadone can be distributed from pharmacies but is not as a rule consumed on the premises. However, just because you have someone on methadone it does not strictly follow that you have got them off drugs. In fact, methadone itself can be used by addicts as a supplement to the “real thing” or as a currency for trade in the market place. Methadone maintenance and reduction should not be available as treatment options in isolation but only as part of an integrated treatment plan including counselling, relapse prevention and after care. Aftercare will need to address the offender’s housing, social, employment and training, health and other needs.

Studies have shown that there are considerable reductions in levels of criminal activity in the six-month periods before and after treatment. The greatest reductions are in theft and drug dealing. Where some illegal activities appeared to increase slightly the overall income generated from all crime decreased. In one study, average total illegal earnings in a defined period fell from £10,984 before treatment to £2,930 after treatment¹⁴⁷.

Economic modelling predicted that if a drug addict received methadone treatment, expenditure on drugs and income from crime would decrease and the cost of treatment would compare favourably with the reduction in illegal earnings over the same period. The study confirmed the high level of crime carried out by heroin addicts, and that treatment can reduce drug use and crime. It had no impact on crime that was not directly drug-related, such as non-acquisitive violent crime.

Drug Courts: Drug courts have been widely tried internationally and have dealt with offenders where there has been an established relationship between drug use and offending and where the addiction is susceptible to treatment. Drug courts differ from normal courts in three critical respects:

- Sentencing often focuses in the first instance on treatment rather than imprisonment
- The offender may make regular re-appearances at the drug court in the course of the treatment programme to ensure that it is progressing well and that any conditions (e.g. no re-offending) that the court initially set are being met
- The court will have at its disposal a series of incentives and sanctions to encourage the addict to kick the addiction – including custodial sentences as a sanction and dismissing criminal charges as an incentive. These sanctions can be imposed or incentives granted at the periodic case reviews in the course of treatment

Drug courts require a screening group consisting of the defending agent, prosecution and social workers and police to decide which defendants should be subject to their jurisdiction. Drug courts need to operate

¹⁴⁶ Ibid.

¹⁴⁷ Home Office Research, development and Statistics Directorate, Research Findings no 120: ‘The impact of methadone treatment on drug misuse and crime’

within the criminal justice system, but allow punishment to be balanced with effective treatment, in a way that more traditional courts find it harder to achieve.

Drug Courts have proven results in the United States where they were first started up. The first opened in 1989 and today there are over 500 in America¹⁴⁸.

- Drug courts have been successful in engaging and retaining offenders in treatment services. They provide closer and more intensive supervision of drug using offenders
- Drug use and criminal behaviour were reduced during participation in the drug court
- Drug Courts save money

There has already been a successful trial of drug courts in the UK at Wakefield¹⁴⁹, where over 170 court orders have been made and around 40% of offenders have successfully completed their programme. Although not perfect, this is a step in the right direction.

However, drug courts should not be used as a method to deal with those simply being found in possession of drugs. Studies in the United States have shown that drug courts are widening the net of offences and individuals that would have originally been cautioned have ended up in drug courts. This is a waste of time and money.¹⁵⁰ Drug courts should be strictly used for drug users involved in repeated crime and showing established signs of addiction and addictive behaviour. It is important that we do not clog drug courts with occasional users who have been arrested by the police rather than proceeding through the normal channels for dealing with those caught in possession of class 'A' drugs.

¹⁴⁸ Report of a Working Group for Piloting a Drug Court in Glasgow www.scotland.gov.uk/library3/justice/wgdc-02.asp

¹⁴⁹ <http://society.guardian.co.uk/drugsandalcohol/story/0,8150,451208,00.html>

¹⁵⁰ http://www.frictionmagazine.com/politik/current_events/drug_court.asp

Beating the Debt Trap

We noted in the first chapter that if you are already in poverty, few things are more guaranteed to keep you there than getting into chronic debt at punitive rates of interest – this makes debt one of our five Drivers of Despair.

Poverty in Britain is concentrated in inner city areas, and poor people are among the most (non-property) indebted groups in society. The characteristics of inner cities – in particular high residential densities – make them attractive to certain forms of credit provider, who offer a demanded service, but do so at high cost to the borrower. These same characteristics also make viable the stimulation of an alternative form of lower-cost credit provision, which we advocate in this chapter.

Introduction

There has been a major increase in personal indebtedness in Britain in recent years, in part, but part only, driven by lower interest rates. The increase is not restricted to people living in inner cities, nor to the poor. But as we shall see, indebtedness is relatively greater among low income groups, and the type of debt in inner cities is different from that in the suburbs.

Any solution to an indebtedness problem has to start with personal responsibility. People choose to take credit on; it is not forced onto them.

But there is also an important issue of lender responsibility. By the time people call the Consumer Credit Counselling Service, many have ten separate debts. You have to ask some questions of the industry. Like: what *were* they thinking of, the providers of the eight, ninth and tenth lines of credit? Or, what question did they fail to ask on the application form?

In this chapter, we shall argue that:

- There is much personal debt among inner city residents
- They pay very high interest rates – in part because those lending to them face high costs
- Financial products are often advertised in a confusing way, and levels of financial literacy are low

And we shall propose two main solutions:

- A complete overhaul of the way information on financial products is presented, coupled with direct provision of personal financial advice in the inner cities, analogous to an independent financial adviser
- Priming growth in the credit union sector, and creation of New Model Credit Unions, to give consumer choice, acting as a real alternative to ‘sub-prime’¹⁵¹ lenders.

Background & Analysis

The Changing Face of Debt in Britain

Britain has become more indebted, and the types of debt have changed, too. Trends particularly relevant to poorer people and residents of inner cities include:

- Lower income households have higher relative levels of unsecured credit debt¹⁵². Moreover, the growth of debt has been disproportionately in the very lowest income bracket¹⁵³.
- In terms of debt *problems*, there has been a shift from ‘priority’ debts (where the ultimate sanction for failure to pay is imprisonment, loss of home, loss of fuel supply or repossession of essential goods) to credit debts¹⁵⁴. Indeed, between 1997 and 2002, Citizens Advice Bureaux actually saw a decline in new debt enquiries about housing and utility debts, while new enquiries about consumer debt rocketed by 47%.

¹⁵¹ Sub-prime meaning simply the credit market for people who can’t get credit through ‘normal’ means at ‘normal’ interest rates, like credit cards or a bank loan

¹⁵² Unsecured debt consists of personal loans, credit cards, store cards, HP agreements, Social Fund loans, student loans, overdrafts, any other loans from a private individual. It excludes debt secured on property, predominantly mortgages

¹⁵³ Bank of England Quarterly, Winter 2002

¹⁵⁴ Citizens Advice Bureaux, ‘In Too Deep’, May 2003

- Many credit providers' marketing tactics now stress not what you can afford, but how much you want (or, in the case of consolidation loans to home-owners, how much your house or flat would be worth in the event of repossession). There is also sometimes emphasis on the speed of decision and the small number of questions that will be asked. (Anyone doubting any of this should take an afternoon off work to watch some daytime commercial TV).
- There has been a move away from court action to realise bad debts, and more use of debt collection agencies.

These changes happen against a regulatory backdrop of a 30-year-old Consumer Credit Act, written for another era – one in which, for example, there was only one credit card (Barclaycard) on the UK market, as against some 1,300 today.

The government recently published its White Paper on consumer credit¹⁵⁵, and there is a lot in here that we welcome, in particular the changes to the licensing regime, the provision for third parties to be able to bring complaints, and *some* of what it says on information and disclosure.

But there are also important gaps, which we will return to later.

Types of Lender

High Street banks, credit card providers and other traditional lenders, do still serve inner city areas. But many people in these areas will not be allowed to borrow from those sources, in the absence of property to secure the loan, or a suitable credit rating. According to Datamonitor¹⁵⁶, 7.9m people, or 20% of the adult population, are systematically refused credit from banks, building societies and 'regular' finance houses. And some 1.5m households lack even the most basic of financial products, such as a current account and home contents insurance¹⁵⁷. For these people, an alternative set of financial institutions is relevant, including credit unions and the sub-prime sector. Some of the main institutional categories are outlined below.

Catalogue Companies. Sell goods on credit, generally using area agents (local people working part-time on commission). This is a very common type of credit in inner cities. Recipients sometimes do not class paying for catalogue goods in instalments as being borrowing as such.

Home Collection Lenders. As the name suggests, they lend you money and collect the repayments door-to-door. The largest is Provident Financial, commonly known as "the Provvy", which has been going since Victorian times, and today reportedly has 1.6m home credit customers¹⁵⁸. Such companies often work on an agency model, similar to catalogue companies. It is not legal to canvass for new cash loan business door-to-door, but many customers begin their relationship with the home credit provider by taking vouchers (which can be exchanged for goods at a range of local stores); selling these on credit door-to-door has been treated by the regulatory framework as selling goods, which is legal, rather than money; cash loans then frequently follow. Others begin borrowing this way simply because that's what their parents did before them, or because it's commonplace in the neighbourhood. APRs can be very high (from around 25% to comfortably into the hundreds), but many customers report a positive view of the providers – home collection is an extraordinary level of personal service, after all; in the privacy of your home and generally dealing with an agent of a similar background and circumstances to your own, there is no question of 'being looked down on' or stigma; and the provision of cash credit is a service for which there is a clear demand, and not readily available elsewhere. Recipients of loans have even been known to give a tip to the agent.

Modern HP / 'Buying not renting'. Companies such as Brighthouse and Crazy George are effectively like catalogue companies but with shops instead. Goods such as washing machines, settees and TVs are sold on credit. Advertised APRs are typically around 30%, but the effective price paid can be much higher because of (a) linked sales of extended warranties, and (b) the fact that the base retail price is sometimes much higher than the price an alternative seller like Argos would charge. It is common for the provider not to run any credit checks but ask instead for the names of five people who know the taker well; they are not guarantors to the loan; they simply confirm the person's identity and address.

Social Fund. This government initiative provides interest-free loans for purchase of essential household items. It is intended to cope with situations such as bereavement or where a fire or flood destroys white

¹⁵⁵ Fair, Clear & Competitive: The Consumer Credit Market in the 21st Century, DTI, Dec 2003

¹⁵⁶ Cited in the Guardian, 10/4/02

¹⁵⁷ Joseph Rowntree Foundation, March 1999

¹⁵⁸ Guardian, 10/4/02. The Provident Financial website also cites 1.61m customers across the UK & Ireland

goods. However the perplexing situation sometimes arises whereby a person is refused a loan from the fund on grounds that they are too poor to pay it back. The likely result, of course, is not that the person will then do without a fridge, but will go to Crazy George instead.

Loan Sharks – or, to give them the official name: Unlicensed Sub-Prime Lenders. There is a range of these from the community elder providing a convenient service to a newly-immigrant group, to the thug who takes your benefit book as security, and whose idea of a late payment penalty is a cigarette burn to the forearm. Data on this sector is very sparse, for obvious reasons, but anecdotally, it doesn't seem to be as widespread a problem in Britain as you might imagine. Nevertheless, it is relevant to some people, especially those living in areas black-listed by home collection companies and catalogue companies; and for individuals with a very poor repayment history or 'reputation'.

Credit Unions. A credit union is a not-for-profit financial services institution that exists for the benefit of its members. Those members share a 'common bond', which may be geographical, employer-based (i.e. they all work for the same company) or connected with an organisation such as a church. Credit unions have both savers and borrowers, and typically you have to have been a saver before you can be a borrower. By saving, you also become a shareholder; credit unions are owned and run by their members (typically with some full-time staffing, plus volunteers). For savers, there is no fixed or advertised interest rates, but rather a dividend (or 'divi') at year-end, which is the surplus after expenses have been paid, reserves built up, etc¹⁵⁹. For borrowers, APRs are capped at 12.68% (which is a monthly rate of 1%, compounded). That rate generally includes payment protection insurance. Deposits are also protected against theft or fraud¹⁶⁰. The credit union movement is keen on encouraging thrift and self-responsibility, and has quite strong Christian roots (though the vast majority of credit unions, and the wider movement, are entirely non-denominational).

Credit Unions: Now & Then

There are today over 100m members of credit unions worldwide. Over 80m of these are in the US (remarkable really – that means something like a third of adult Americans are members of a credit union), and most of those are employer-based.

The first financial co-operatives were actually in this country, around the beginning of the 19th century. But credit unions as such started a little later, in Germany. In 1909, the first American one appeared, in Manchester, NH. The movement there grew and grew, with major expansion in services provided in the 1970s and 1980s, including mortgage lending. In 1970, the National Credit Union Share Insurance Fund (NCUSIF) was formed to insure credit union deposits – funded by the credit unions themselves, but underwritten (subject to good governance rules) by the US Treasury.

In this part of the world, credit unions tend to do rather less in terms of range of services, and are, of course, much smaller in number. Ireland has developed quite a mature system. A 23-year-old John Hume (later leader of the SDLP) was instrumental in kick-starting the movement in Northern Ireland in 1960. Credit unions across North and South now have 2m members – out of a total population of under 6m.

The first credit union in Britain appeared in 1964 in Wimbledon, and was particularly geared towards the Afro-Caribbean community. Many others, following the growth of the Irish movement, have (or had at one time) an Irish flavour, with disproportionate numbers setting up in places like Liverpool and the west of Scotland. In the 1980s several local governments latched onto the idea of creating more unions to help deprived estates, but many of these are sub-scale. British credit unions today number around 620, covering around 250,000 members.

Others. There are various other sources of credit such as loans from family members, buying goods 'on tick' (generally without a formal interest charge, but the base price can be inflated), payday advances, delayed-clearing cheque-cashing, logbook loans (secured on your car), tontines (or 'the tonnie' – a very informal savings club among relatives or friends against which participants can sometimes borrow – the credit is unlicensed), pawnbroking and buy-back facilities, provided by the likes of Cash Converters. Layaway, not really a source of credit but an alternative to it, does not appear to be much used in Britain.

¹⁵⁹ In 2001 about 350 out of 650 credit unions paid a dividend. Of these, 40 paid 5% or more, a further 106 paid 3% to 4.5% and the rest paid less than 3%

¹⁶⁰ credit unions have always had to have Fidelity Bond insurance in place, which would pay out in the event of theft or fraud. Since July 2002 though, they've been part of the Financial Services Compensation Scheme, so members' money is protected on the same basis as deposits in a bank or building society

Outside the Mainstream?

You often see financial institutions divided into ‘mainstream’ and others, with the implication that these others are somehow marginal. But that defies a reality where Brighthouse is owned by Nomura and has over 100 branches; and “the Provvy” is knocking on the door of the FTSE-100, with a market value¹⁶¹ greater than that of Tate & Lyle, Wimpey or EasyJet. Estimates of the size of the sub-prime sector as a whole vary between £16bn and £30bn¹⁶²; suffice to say that it is very large. If you haven’t heard of these companies, it’s not because they are small – more likely, you’re just not their target customer.

Falling into Trouble, and the Help Available

Debt problems happen, in the main, for one of two reasons:

- The person simply overburdens himself with debt relative to his ability to pay; or
- Circumstances change unexpectedly, for example breakdown of marriage or other relationship, loss of job, or bereavement.

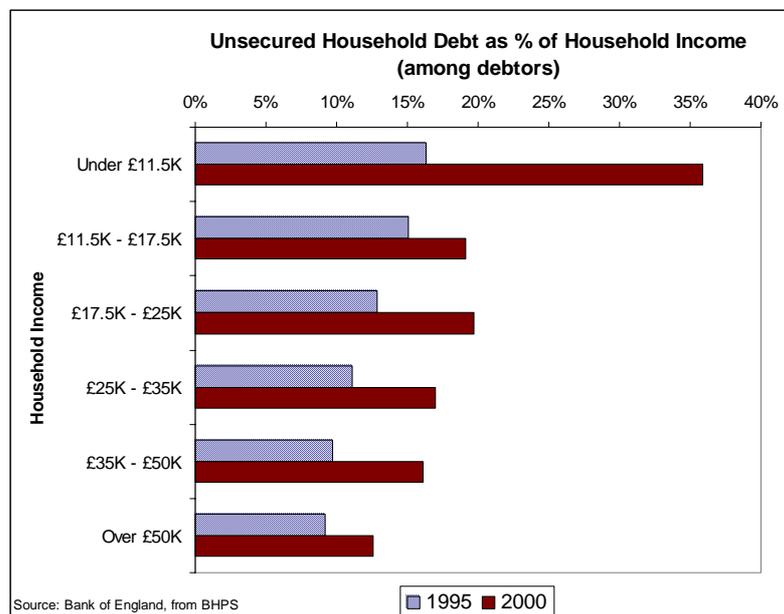
Of course, the double whammy can often happen: someone who has already taken on too much debt then faces a change in circumstances, leading to acute difficulties.

Various organisations are engaged in helping people sort out their difficulties. Citizens Advice Bureaux do a lot of work in this area, with an expanding caseload. Among the others, the Consumer Credit Counselling Service is a not-for-profit organisation that receives around 100,000 calls a year. Those who are already in difficulty are put onto one of two tracks – they are either sent a self-help pack, and/or get an hour-long personal counselling session. Many then go on to a repayment plan. Interestingly, this body is funded by the industry itself. They have two interests in this: first, the corporate social responsibility angle; also, getting people onto repayment plans does help to recover at least some part of bad debts¹⁶³.

What’s Wrong with Credit & Debt in Inner Cities Today?

There’s probably too much of it

As can be seen from the chart, people in lower income brackets who borrow¹⁶⁴ have higher relative indebtedness, and the recent growth in debt has been disproportionately in the very lowest income bracket¹⁶⁵. With large numbers of people now falling into difficulties, we feel this level is simply too high. In turn, that is a consequence both of consumers taking on too much debt, and providers too willingly giving it to them. On the consumer side, people need to take a more



¹⁶¹ at the time of writing, early 2004

¹⁶² One estimate from the Guardian, 10/4/02; the other from the BBC’s Working Lunch programme

¹⁶³ and, incidentally, therefore helps keep APRs down for everyone else

¹⁶⁴ which we estimate, using data from the Winter 2003 Bank of England Quarterly, to be around 30% - 40% of adults in these areas. However, this may substantially understate the real number if (as the Bank acknowledges possible) many people don’t consider goods paid by instalment to be debt as such; this type of credit probably exists disproportionately in inner cities.

¹⁶⁵ To complete the picture: the most recent Bank of England Quarterly (Winter 2003) on this subject suggests a fall between 2000-3 in debt levels among lower-income groups (the calculations are shown on a slightly different basis), though still at a substantially higher level than 1995. This latest survey of 1,950 adults also shows a big increase among mid- and high-income brackets. We are concerned, however, that 50% of the people in the survey did not reveal their income – which means these types of comparison have to be treated with some caution. The earlier (2000) data, reported in the Winter 2002 Bank Quarterly, are taken from the British Household Panel survey of some 5,500 households, and we suspect are more robust, even if less recent.

responsible attitude, but government can assist in terms of financial literacy and the information, including warnings, given – more on this later. On the provider side, though, there is also a responsibility; and it seems to us bizarre that with the existence of credit rating agencies, and knowledge of good predictive indicators of over-indebtedness (such as the DTI's¹⁶⁶), some providers still give credit to people who are patently going to struggle to repay.

Interestingly, some people (possibly recalling an earlier era when getting a loan was difficult) take the view that if a provider is willing to give them a loan, based on the information they have solicited on their form, then they probably are able to pay it. Whilst this is no excuse for the people concerned, it is quite instructive.

Interest rates are high – partly because providers' costs are too

A recent Citizen Advice Bureaux report¹⁶⁷ notes that whereas credit card debts in its survey had APRs ranging from 9.9% to 25.4%, APRs from catalogue companies and home-collection lenders ranged from 25% to 360%. Meanwhile, the government's White Paper says that “up to a few hundred thousand people (often the most vulnerable in society) [...] have loans with costs, terms and conditions that could be considered extortionate”; but that since the inception of the 1974 Consumer Credit Act, “only around 30 extortionate credit cases are known to have reached the courts and, of those, only ten were proven”.

A sober pause is in order, though. It would be quite wrong to blindly condemn *all* (licensed) sub-prime lending at high rates of interest. These companies provide a critical service not available to their clients elsewhere, and at least save them from going to loan sharks. Moreover, although APRs in the sub-prime sector are high, and in *some* cases excessively high, we do need to keep a sense of proportion. There are some very sound economic reasons why you'd expect interest rates here to be high:

- High risk. Interest rates have to be high to cover the fact that a higher-than-average percentage will default.
- High-cost business model. Having a large number of small-value transactions is costly for a company, and the door-to-door collection model is especially so. Both of these have to be factored into the price (interest rate and other fees) charged.
- Short periods. Some of the astronomical, headline-friendly APR figures you see relate to very short term loans, where the interest charged looks pretty reasonable over that (say) 2 week period, but shocking when annualised. In fact, the lender's costs are not directly proportionate to time period (i.e. a 12-month loan does not cost the lender 12 times the cost of a one month loan), because there are some fixed, one-off costs at start and finish; and there is a certain minimum charge below which a transaction is simply not viable.

Nevertheless, the interest rates charged in this sector are high, and sometimes disturbingly so, especially since the target market is, in the main, people with least ability to pay. It is surprising, really, that they get so little attention relative to, say, the recent kerfuffle about credit card rates – perhaps this is because the sector is largely invisible to many ‘opinion formers’.

It's also true that while the majority of lenders are responsible, some do have a bad name. And the local agent model is an issue too – earning commission, you have little incentive to encourage someone to pay off early; rather, you might want to persuade them to extend or increase the amount.

The supply side of the market appears to be competitive

From Economics 1.01, we know that, if prices were excessive relative to costs, they should tend to come down as a result of competition, provided that:

- Companies act competitively and do not collude; and
- there are low or no ‘barriers to entry’ for new companies to set up in the market; and
- consumers have access to good, clear and reliable information about the products on offer, and can compare them on both price and quality.

¹⁶⁶ The DTI's Over-indebtedness Task Force Second Report suggests predictive indicators such as having four or more outstanding credit commitments, or spending more than 25% of gross income on consumer credit.

¹⁶⁷ Citizens Advice Bureaux, ‘In Too Deep’, May 2003

We know of no evidence that the sub-prime market falls foul of either of the first two conditions (though we think there is a debate to be had about bundling – see Postscripts), but there are real issues with the third.

But there is insufficient consumer knowledge and information

Financial literacy is low, which is a problem in a relatively lightly-regulated country like Britain. We should not make the easy error of assuming financial illiteracy is confined to the most disadvantaged groups – but it is even more concerning among poorer sections of society, because bad decisions can have more catastrophic consequences.

The government’s own statistics¹⁶⁸ show that 50% of ABC1s do not even know *APR stands* for; the figure rises to 70% among lower income groups. But APR is the central measure in regulatory disclosure for financial products.

The small-print blurb on ads, and on application forms, can be unclear and confusing. Ironically, many people, although not understanding the blurb, are reassured by its presence, feeling that its extensiveness proves existence of a tight regulatory regime¹⁶⁹. But there is, in our opinion, insufficient clear highlighting of key terms and conditions, options, and non-interest charges. As a result, people can:

- get the unpleasant surprise that they are not allowed to repay early without paying a hefty fee
- find that admin charges for late payments etc are very high (and of course then magnify the over-indebtedness problem)
- sign up for inappropriate payment protection insurance (PPI) which they would never be able to claim against, for instance because of a pre-existing medical condition
- in some cases, even take out PPI by accident (when one signature covers both it and the main credit agreement), and then lose their job but don’t realise they can claim.

The situation is exacerbated by more and more complex deals, especially those with variable APR rates (x% for the first 6 months, then y%).

Policy Proposals

Our proposals fall into two main categories:

- Helping consumers to make informed, rational and sensible decisions about debt
- Stimulating development of an alternative source of credit, in the form of New-Model Credit Unions

There are also a number of other issues that have come up in the course of our research, which we overview at the end, under the heading ‘Postscripts’.

What we would not do

Before saying what we would do, we want to cover three oft-suggested things that we would be completely opposed to.

1. We would not apply a general APR cap

APR caps do apply in some other countries such as France and the Netherlands, and it is a beguilingly simple suggestion that doing the same here would mean people wouldn’t be paying such high rates of interest. Policy-makers could say “Something Has Been Done”. But it’s a classic case of ‘Liberal Causes and their Unintended Effects’. What do the proponents of this move think will happen? That sub-prime lenders will start charging APRs of 10% or 15% and promptly go bust? Or that people will say “oh well, no credit for me, then”? Of course not. The only safely-predictable consequence of an APR cap is a massive boom in loan-sharking.

¹⁶⁸ Cited in the White Paper

¹⁶⁹ From the White Paper

2. We would not make it easier for people to access insolvency

Another beguiling idea. And it is true that certain situations can seem hopeless, and that the tactics of a minority of debt collection agencies are regrettable to say the least. But again, the laws of economics defy progress you could hope for through this route: more people going insolvent means more written-off debts, means a higher average risk for lenders, means higher APRs for everyone.

3. We would not force commercial banks in to markets they don't want to be in

Some people would force the High Street banks into making a certain proportion of their loan portfolios to under-privileged groups. Not only is this type of government intervention a very slippery slope (especially in an internationally competitive market), but the traditional banks' business models are probably inappropriate. There is a role for traditional banks, but we would much rather see this in voluntary participation of the banks through their corporate social responsibility agenda, and commercially-driven routes, such as perhaps buying bundles of loans from social providers.

Helping consumers make informed, rational and sensible decisions

The government's White Paper does contain some good proposals on improving consumer information, but we do not believe it goes far enough. Among other things, it's interesting that, despite disclosing the statistic about half of all people not knowing what APR stands for, the White Paper still advocates continuing to use APR as the central measure.

We advocate a two-tier system, where loans (and all credit) are deemed either 'Normal', meaning an APR of less than 25%, or 'High Cost', where APR is over 25%¹⁷⁰. For Normal credit, there would be a relatively light-touch regime, whereas **for High Cost credit, disclosure rules would be very tight, with rules for the size and prominence of warnings panels on ads, application forms and at point-of-sale being similar to those now used on cigarette packets.**

In particular, the information disclosed would be:

- The headline figure should be a cash figure, not a percentage, and be the amount for 'total to pay back'. For a specific item or defined loan amount, the figure should obviously refer to that item or amount. In the case of an ad for a range of loan options, the advertiser would have to pick as an example whichever of the round numbers £50, £100, £500, £1000, £5000 or £10000 is closest to their typical amount.
- Next in prominence should be the interest rate, which could either be the annualised rate¹⁷¹ (described as "x% a year", rather than "APR x%") or, if the lender prefers, the monthly rate followed by "which works out as x% a year"
- Then would come "Loan period: x months [or x years y months, if more than 24 months]. Highest payment in a month: £z"
- Then a series of disclosures, for all applicable:
 - We charge an extra fee for early payments
 - Payment protection insurance is available, but optional
 - Your home may be repossessed if you miss [x] or more payments
 - The goods may be repossessed if you miss [x] or more payments

Need Cash Now?
Come to Joan's Loans

Ad Body

This is high-cost credit. Example - if you
borrow £1,000 over 3 years:
Total amount to pay back: £1,800
Interest rate x% a year

- Loan period 3 years. Highest payment in a month: £50
- Payment protection insurance is available, but optional
- We charge an extra fee for late or missed payments

More information: 0191 333 4444 or joansloans.co.uk/info

¹⁷⁰ We are conscious of the potential for massage of the cut-off point. For example, an HP seller could reduce its APR to 24.99% but raise the base price of the item to compensate. Measures would be needed to head this off, for example a right for Trading Standards officers (or someone) to declare a seller to be 'High Cost' even though their APR is nominally under the limit.

¹⁷¹ The White Paper's suggestion that the rate used be "the highest rate reasonably expected to be given to at least 66% of the eventual number of consumers who accept a credit agreement in response to the advertisement" seems sensible to us

- We charge an extra fee for late or missed payments
- And finally, two sources to go to for the full ‘small print’, which would also be subject to some standard wordings, as well as the duty to fully disclose all relevant information. These sources would be a web site, and a non-premium-charged phone line.

We also need to help consumers directly. There is already quite a good infrastructure from various sources, such as the Consumer Credit Counselling Service, to help and advise people already in trouble.

There needs to be more early-stage help and advice. Higher-income earners use independent financial advisers, and we’d like to see an equivalent of this appropriate to lower-income earners in inner cities. One model we have come across which seems to achieve this is Ireland’s Money Advice & Budgeting Service (see box). And the government, to be fair, has made some progress with its Community Finance Learning Initiative pilots. However, rather than invent a new organisation, we believe a good outcome could be achieved by partnering with an existing organisation such as Citizens Advice Bureaux (who already do a lot of financial advice). By having specialists covering a fairly wide geographical area, **each Town Hall Plus could provide a drop-in Financial Advice clinic**, say one afternoon and one evening a week. Various tools would also be needed – but the human touch is essential.

Ireland’s Money Advice & Budgeting Service

MABS was set up in Ireland in 1992 in response to a report on money-lending and over-indebtedness. The original five MABS have now grown to over 50, covering the whole of the Republic of Ireland. It’s effectively a network of state-funded but voluntary localised partnerships between statutory and voluntary-sector agencies and other service providers.

Concentrating on low-income individuals and families who are either in, or in danger of falling into, debt troubles, MABS:

- **Educates** clients in practical budget skills to be able to meet day-to-day expenses and repay debts;
- Sometimes **negotiates** with creditors on clients’ behalf;
- Helps with setting up ‘special accounts’ with the client’s local **credit union**.

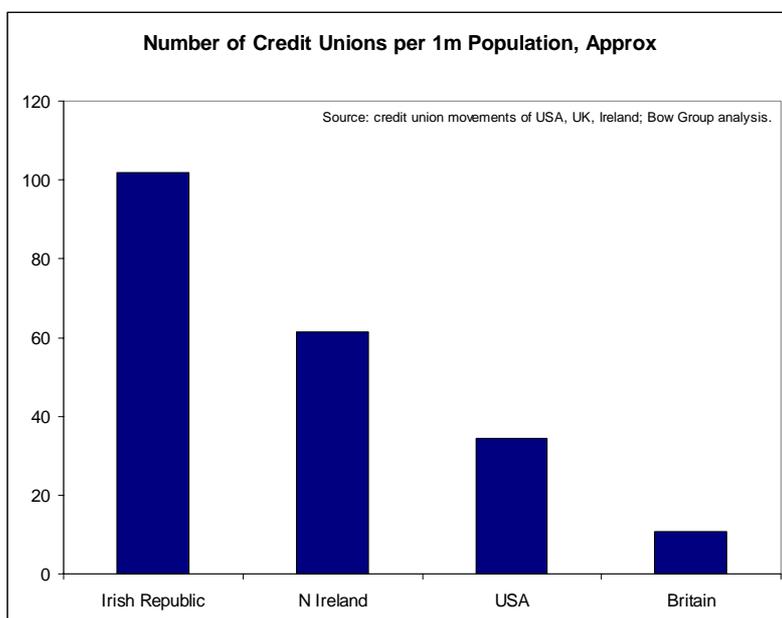
It does not pay off a person’s debt, nor does it offer loans itself.

With the ‘special account’ account facility, the client pays a weekly amount into the credit union, according to the agreed budget; and the credit union then pays onwards to the client’s creditors. But the client’s payment also includes a small savings element, so that, over time, they build up savings, and hence the ability to borrow from the credit union, thus obviating the need to use money-lenders.

New-Model Credit Unions

Credit unions play a unique role, and can play an even more valuable one in deprived communities. They provide affordable credit, encourage thrift and self-responsibility, and promote a savings culture.

Our vision is for a much expanded credit union network across inner city areas, with the unions themselves following a new model, and serving a broader range of customers. The proposals that follow relate strictly to deprived inner city areas, and are intended to be enabling only, for credit unions that elect to change model, or to new ones that want to start – there is no suggestion of compulsion or direct public sector provision.



A Much Expanded Network

The movement is not as far developed in Britain as in some other countries, including America, and especially Ireland (see chart) and we see much room for growth.

In America, the dominant model for credit unions is employer-based i.e. where a company (or public sector employer) has set up a credit union for its employees. Elsewhere, in the past, unions grew out of the

commitment of a small number of individuals getting together to kick-start their development. Alas, the days of both of these developments are largely over. Moreover, traditionally unions rely on having a good mix of savers and borrowers, and a high proportion of salaried members – which can mean they miss the very neediest groups. If we want to see major growth in this sector, and with especial emphasis on deprived inner cities, it will need priming and support.

Further development of the credit union movement, if it is to work, will need to come from the movement itself. But government should start a dialogue with them on the viability of New Model Credit Unions.

This is a legitimate area for public funding support (analogous to support for a housing association, which serves broadly the same client group), but we believe that given the self-help ethos of the movement, a (relatively) little government money can go a long way. In the next section, we outline what form that help could take.

It is vital not to pursue growth for its own sake. Vibrant, and largely self-supporting, credit unions must be of a certain scale – the minimum is probably a loan book of around £1m, providing annual income of £100K+. Growth, and government support for it, should be centred on individual schemes with a realistic chance of getting there pretty quickly.

Ideally, a new credit union should have the backing of a substantial and permanent, but local, institution such as a housing association, large community group, church, or local authority. The business development plan put forward for support as outlined below should be judged partly on the ‘staying power’ of the sponsor organisation, and its likely ability to ‘sell’ the business to residents. But we would rather avoid local monopolies. Instead, government could determine relatively wide areas and grant up to, say, three ‘franchises’ for supported credit unions in each.

The New Model

Traditional credit unions are a great vehicle for financial provision, if you get the consumer at the right point. But if they are already in a chronic debt situation, it is too late. We would like to see New Model Credit Unions developing, which could serve both types of customer.

The basis of the credit union movement is member-ownership (i.e. the savers are the shareholders), and credit provision *within* the membership (i.e. you have to save before you can borrow). We would not want to undermine that principle, but it can be stretched a little. As well as the classic ‘save before you borrow’ product, we’d like to see a **‘save as you pay back’** product. The saving is of two sorts. First, a saving because it would be cheaper than sub-prime alternatives. But also saving in that you would be forced to top up repayments on a loan with a small savings element. For example, you take a loan at 15% APR. You pay that, plus a further 2%, which goes to build up a savings account. This small savings amount allows you to become a member of the union.

To be attractive to customers, British credit unions (like their American colleagues) will need to broaden the range of member services – in particular basic bank accounts, with debit cards and ATMs. Perhaps this is an area one or more High Street banks could be enticed to partner with them on, as part of the corporate social responsibility agenda. Credit unions could also act as gateway to a wide range of other consumer financial services, such as insurance brokerage, and even extended warranties.

Credit Unions could fill another gap, too. Charities like the Prince’s Trust offer micro-loans for inner city (and some other) business start-ups, but the amounts are capped at quite a low level. Meanwhile, the government’s Small Firms Loan Guarantee scheme offers, through the banks, loans to start-ups and expanding small businesses that are unable to put collateral. But sometimes banks are reluctant to lend on it to new start-ups¹⁷². New Model Credit Unions could (in the manner of bodies like the Portsmouth Area Regeneration Trust) also offer small loans to businesses in the areas they serve.

Building up the Stock of Funds

If New Model Credit Unions are to take on two new types of loan activity – to consumers without a savings history, and to small businesses – they will need to greatly increase the stock of savings to lend against. We see two main ways this can happen.

First, government itself could ‘save’ into growing unions on a one-off basis – effectively an endowment. A possible formula could be that for new credit unions, or existing ones merging or converting to the new

¹⁷² The conditions for the government reimbursing the bank in the event of default are perceived by some to be quite onerous, so – while there are plenty of other opportunities for extending profitable lines of credit – the incentive to loan on the scheme is reduced

model, the **government would match members' savings 2:1** after the first £10,000 had been generated in members' savings, and up to £260,000 (i.e. a government contribution – or shareholding – of up to £500,000¹⁷³). The government shareholding would, however, forego its voting and 'divi' rights. (As an aside: we would divert funding currently earmarked for 'Savings Gateway' into this scheme).

A second source we propose is the **Social ISA**. Under this scheme, the general public could get a tax break (as with other ISAs) for saving with a credit union. They would select the union themselves, and need not be a member of its common bond. So, people could select one in an area they have a connection with, or whose particular character or aims appeals to them (a low-cost marketplace, probably internet-based, could be set up to connect private investors with different unions). The return would be a reasonable, fixed rate, but one at which the credit union could still turn a decent profit through lending – say 4% at current interest rates.

An alternative to this would be to allow unions to borrow on the open market, but we fear that would introduce too great a level of complexity, and threaten the ethos of the movement.

Direct Government Support

We think Town Hall Plus would be an appropriate venue for credit unions, providing secure premises, and saving on rent.

Once endowed, credit unions at maturity ought to be self-supporting. But there is an argument for limited start-up support, with public funding of, say, 1 operational FTE and 1 marketing/development FTE, for a period of up to two years, subject to a viable business development plan being put.

Widening the Loans Base

In our proposal, individual credit unions would remain absolutely autonomous, and continue to make all their own loan decisions, and the wider movement would remain in control of policies and ethos. But they would be enabled to provide an alternative credit source to hundreds of thousands of low-income individuals and families¹⁷⁴, currently paying very high rates of interest.

The APR cap of 12.68% sounds nice, and does mean that borrowers are getting affordable credit. But there is a big distance between 12.68% and the 25% or so that most sub-prime lending *starts* at. This presumably means that credit unions are not taking on higher-risk borrowers (who would be on average profitable at, say, 18%, but not at 12.68%) and forcing them instead to go sub-prime. We'd like to see the **APR cap raised to 20%**, with credit unions being encouraged also to do more credit scoring on potential customers. A knock-on effect may be slightly higher average divis, which would help to widen the savings base – something we would welcome.

Financial Infrastructure

Further thought is needed on the background institutional arrangements required to ensure the continuing solvency and health of the movement, and to ensure against potential fraud / mismanagement, depending on the exact model adopted.

Postscripts

There follow a series of very short overview observations on some related matters that have come up in our research.

The Social Fund

The Social Fund is a good idea, and a principle we support. But it appears that much is wrong it today, not just funds rationing that seems tight in some areas, but also easier-to-fix issues, like inappropriate loan terms and insufficient flexibility. We recommend a **root-and-branch review of the Fund** to make it do its job better.

¹⁷³ i.e. 2 times (£260,000 minus £10,000)

¹⁷⁴ and small businesses, if they choose

Inertia Selling & On-line Sales

We wouldn't want to stifle marketing creativity, nor make companies forego cost-of-sales economies. But getting credit in Britain today is already so easy – too easy, you may well say – that we recommend nipping two new developments in the bud.

The first is inertia selling of credit products (where you get something you haven't asked for – the old trade union affiliation opt-out principle, in capitalist clothing). This includes things like cheque books drawn on credit cards being sent to customers who haven't asked for them, credit limits being raised without any request being made, etc. A related practice, which is very relevant to deprived inner city residents, is the unasked-for **reduction in minimum monthly payments**, which can mean that the outstanding balance stays virtually untouched – and the lender has a nice positive cashflow for years.

The second is on-line sales. Already you are much less likely than you used to be, to conclude a credit agreement on the premises of the lender. But at least you have to sign a piece of paper – and psychologically this is important. No, we can't explain it rationally, but we do believe that having deals concluded entirely on the internet (or the phone) would lead to more bad borrowing decisions.

Bundling & Linked Sales

Bundling and linked sales are fundamental in several industries. In car rental, for example, some companies make as much profit on selling on the insurance as on the actual rental fee. There is nothing wrong with this per se – it is just the equivalent of selling nappies cheap as a quasi loss-leader, then stinging the parent for an overpriced jar of baby food. But the sale of extended **warranties and payment protection insurance** is so important (for the consumer protection they bring as well as the costs they involve) in this sector of the credit market, that we think it worthy of at least a debate on how they should be sold, and whether there are any potential competition policy issues.

Lender Responsibility & Credit Reference Agencies

As we mention above, it is peculiar, to say the least, that with credit reference agencies around, lenders still lend to so many people who can't repay. We encourage the government to work with industry bodies to ensure best practice profiling is in fact in place (this is a reasonable piece of government intervention, since there are social costs as well as commercial costs when it doesn't work).

We would also urge that demonstration of responsible lending practice (e.g. utilising the DTI's predictive indicators of over-indebtedness, and not writing "No Credit Checks! Instant Decisions!" on ads) become a key part of the new licensing regime.

Family Ties

Families are different, on average, in inner cities. There are significantly more children in these areas than the average elsewhere. There is also significantly less marriage and significantly more lone parentage. These factors put current and future generations in the inner cities at a disadvantage to the rest of us. Any government (or other) initiative that stimulates more marriage, or discourages single motherhood, will have a disproportionate benefit in inner cities.

Background & Analysis

We believe that *families are usually a positive force* in society. For the most part, families nurture children and support them in becoming viable adults who provide for their families and in turn contribute to society more broadly. These assumptions cannot always be proved but are rather to be understood intuitively. Fundamentally, this chapter is based upon a belief that *families are a 'good thing'* and that they should be encouraged to develop and empowered whenever possible.

It is important to state something else. There is a difference between not judging people for the decisions they have made¹⁷⁵ about how they want to live their lives; and being indifferent about what those choices are. In a heterogeneous society where we value individual freedom, the former is the right stance for public policy makers. But the latter would be an abrogation of government's duty. There is absolutely nothing contradictory, for example, in on the one hand saying that we understand why people divorce, and that this is sometimes the best course; and on the other offering fiscal incentives and other support to encourage couples to stay together.

To be clear, family is a legitimate area on which to take a public policy stance. Family structures cannot help but affect government policy: on housing, pensions, tax policy and above all welfare.

There has been massive change in families in this country. As the Office of National Statistics puts it: "In one generation, the numbers marrying have halved while the numbers divorcing have trebled, and the proportion of children born outside marriage has quadrupled."¹⁷⁶

It may be possible to view a cohabiting couple of whatever sexuality as in some sense in a family relationship. But, since this, as a mass phenomenon, is a relatively recent thing, it is simply too early to tell whether it carries all of the benefits of family in the traditional sense, in particular cross-generational and extended-family ties. Until such robust evidence is available, we are bound to draw a distinction between 'the family' as a man and a woman married, as against other forms of living arrangement.

Moreover, such evidence as does exist suggests that (a) two parents are better than one, and (b) married parents are better than co-habitors.

Married people, it would appear, are happier, have more successful careers, get richer and live longer¹⁷⁷. An Australian study¹⁷⁸ confirms that picture of greater happiness, and also finds anxiety disorders running at two-and-a-half times the incidence among single mothers as against women who are married, with children, and in work. Writing of America, the *Economist* observes: "Some 42% of single-mother households are poor, compared with 8% of households with married parents. Marriage (or the lack of it) is a better predictor of poverty than race or unemployment."¹⁷⁹ Research tends to confirm that cohabitation unions are, on average, less stable than marriages, and carry fewer of the benefits to family life¹⁸⁰. Single motherhood (9 out of 10 lone parents are women¹⁸¹) is, however, worse, and teen single-motherhood far worse again; there is general consensus that these are key drivers of social exclusion in all its forms.

Most of all, it's not the happiness of the parent(s), nor the strain on the welfare budget, that concerns us. It's the kids. Not only are they at an immediate disadvantage to their peers from married-family homes, but they are themselves more likely to become single parents. The absence of a father in the home is regularly cited as one of the contributory factors to young urban males turning to crime and anti-social behaviour. It also inevitably means that for the proverbial man-to-man talk, you rely more on outsiders,

¹⁷⁵ This paper says nothing about questions of sexual orientation, since that is not a 'choice' or a 'decision' one makes

¹⁷⁶ ONS, cited in *The Economist*, January 29th 1998

¹⁷⁷ Oswald (Warwick University, UK) & Blanchflower (Dartmouth College, USA), cited in the *Financial Times*, December 24th 2002

¹⁷⁸ from the 1996 Australian Bureau of Statistics survey of 10,600 adults. Cited in the *Canberra Times*, September 18th 2002

¹⁷⁹ 'At last good news on the family (probably)', *The Economist*, July 26th 2001

¹⁸⁰ See <http://www.civitas.org.uk/hwu/cohabitation.pdf> for a good summary

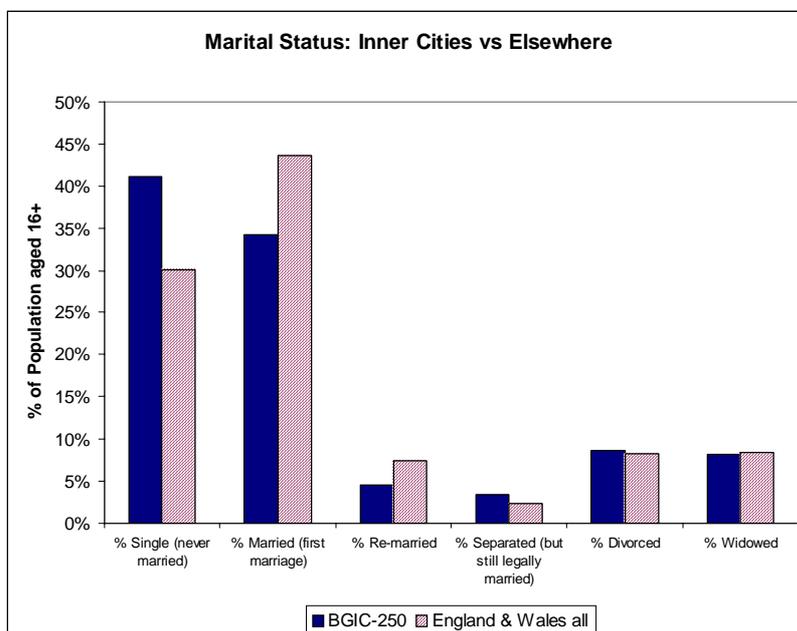
¹⁸¹ ONS press release, January 8th 2004, based on 2001 Census results

or your peer group, than on parental guidance. And the most extreme statistic is that children of teenage single mothers have a 50% higher infant mortality rate¹⁸².

Families in Inner Cities

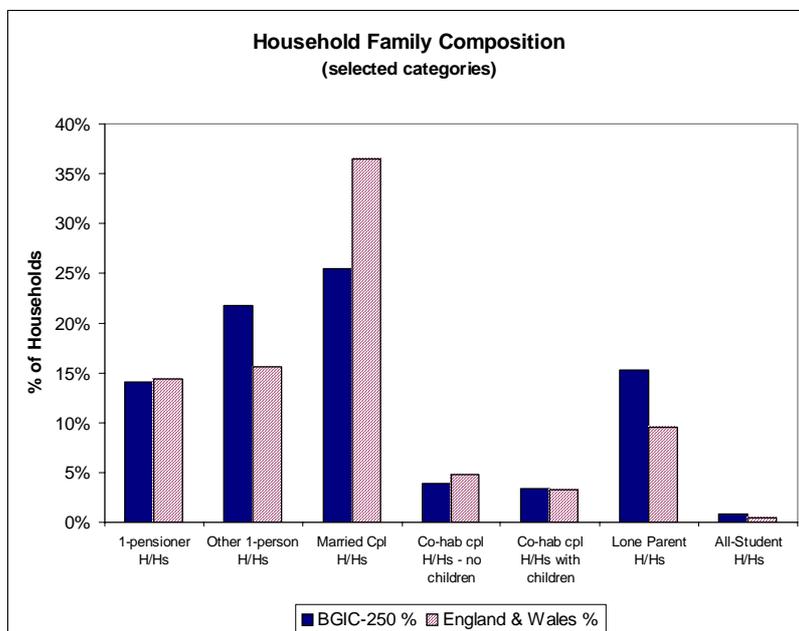
The picture of changing attitudes to marriage and family in Britain as a whole is magnified in inner cities.

Compared to the national average, even fewer people are married in inner cities. The chart below shows 2001 census data by marital status. You can see a very clear difference between our BGIC-250 sample and England & Wales as a whole: just 39% of over-16s in the BGIC-250 are married, as against 51% of the population at large¹⁸³.



Lone Parents

While levels of co-habitation in the BGIC-250 are comparable to England & Wales overall, there is a significant difference in the number of lone-parent households: 15.3% in the inner city areas, versus 9.5% overall – more than half as much again – and this despite there being only a marginal difference in the proportion of divorced / separated / widowed people.



overall – more than half as much again – and this despite there being only a marginal difference in the proportion of divorced / separated / widowed people. In other words, although we can't do the maths accurately, there being a greater proportion of lone parents in these areas means there is a greater proportion of *never-married* lone parents. And we have already noted that 90% of lone parents are women. Bundling all lone parents together into a single reference group may be handy for some purposes, but it doesn't help the current one. A policy stance to try to

discourage a 17- or 18-year old girl from having a baby on her own is unlikely to be appropriate to the very different needs of a 45-year-old widow caring for her teenage children.

In the Proposals section of this chapter, we will pick out two particular categories of lone parent:

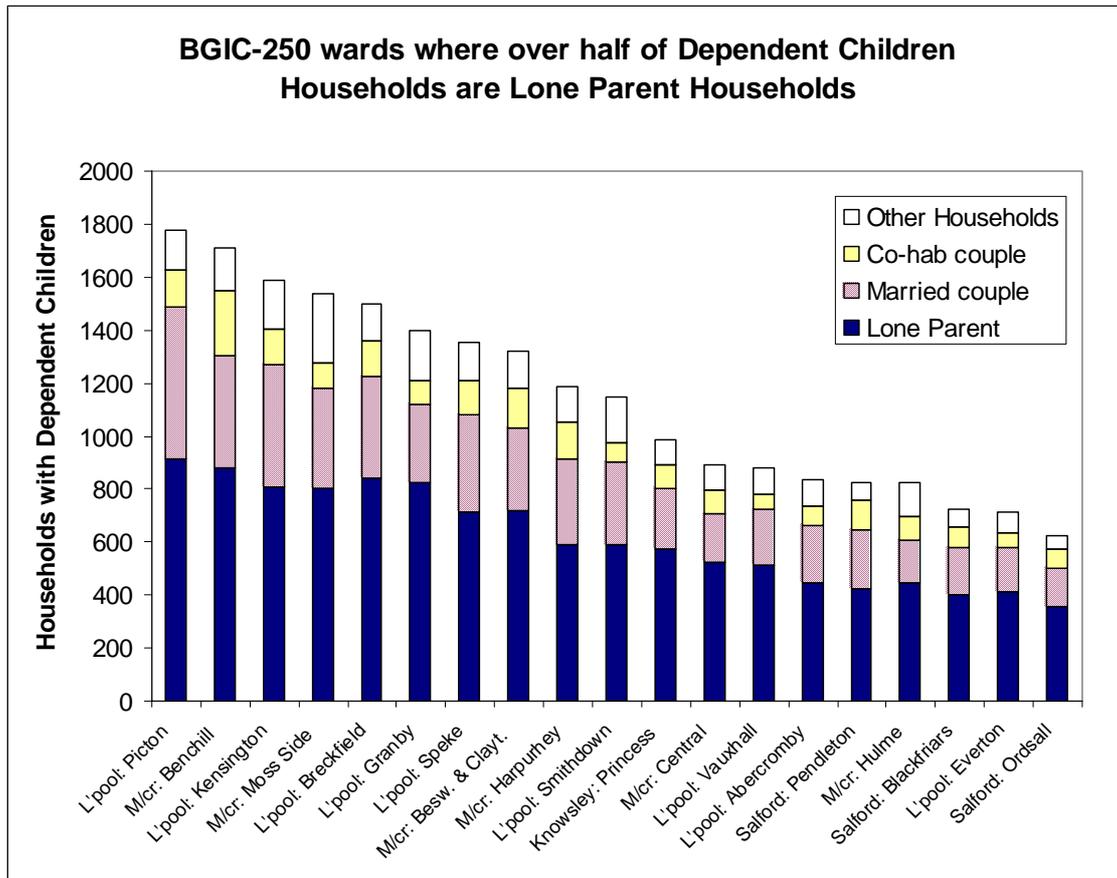
¹⁸² 'Teenage Pregnancy: The Facts Look Bleak', Dept of Health, 11/7/03

¹⁸³ excluding separated

- Never-married, not-cohabiting single mothers who were not in a long-standing relationship (co-habitation of at least a year) at the time of child birth
- Never-married, not-cohabiting single mothers who were co-habiting (for at least a year) at the time of child birth, but whose relationship broke up subsequently

For want of another term (and these aren't elegant descriptions), we will refer to the former group as primary single mothers, and the latter group as secondary single mothers.

As with many of the statistics we have come across, there is an average, but there are also extremes. There are 19 places in the BGIC-250 where over half of all households with dependent children are lone parent households:



Teenage Mothers

There was a 9% drop in conceptions among girls under 18 between 1998 and 2002¹⁸⁴. This has been a source of much cheer for the government; and of course we welcome any improvement. But like any rise or fall, the satisfaction you get from it depends on where you start from.

England actually has the highest rate of teen births in Western Europe: twice as high as Germany, three times as high as France and six times as high as the Netherlands¹⁸⁵. In 2000, 38,690 English under 18s became pregnant; 45% of these pregnancies ended in legal abortion; 7,617 of the conceptions were to under 16s¹⁸⁶.

We cannot demonstrate accurately the extent to which this is an inner city phenomenon. But we do know that it is concentrated among poorer people – and we know that they are disproportionately concentrated in inner cities.

¹⁸⁴ BBC News, Feb 2003; Govt press releases

¹⁸⁵ 'Teenage Pregnancy: a Social Exclusion Unit Report', June 1999

¹⁸⁶ 'Teenage Pregnancy and Parenthood: A review of reviews - Briefing summary', Health Development Agency February 2003

The State As Parent

State activity is often legalistic in approach, and concerned with preventing illegality rather than fostering broader positive behaviour. It often concentrates upon the prevention of wrongdoing or the subsequent investigation of a prosecution of wrongdoers. Social service teams for example will understandably prioritise the protection of a vulnerable child over the literacy needs of a failing adolescent. That is understandable, especially where under-funding is evident, but tends towards curing problems once they become visible rather than addressing the early root causes of failure.

Moreover, there is a disturbing weight of evidence that the State isn't even a good carer when it does become involved. Apart from the high-profile examples of failure such as the tragic Victoria Climbié case, there is a broader picture of failure¹⁸⁷:

- 1/3rd of prisoners and 1/3rd of the young homeless were formerly in care
- 75% of children leaving the care system do so with *no* educational qualifications, as against 6% of the population at large
- 1/7th of teenage girls leaving care are either pregnant or have had a child, as against 0.93% of the population of 16 year old girls

Essentially, the State is 'interventionist' when roused, whereas families are constantly involved, for good or ill. The State is often slow moving whilst families can provide more immediate assistance.

Current Government Policy and Families

Alas, with its key levers (taxes and benefits) government policy does not seem very much to promote marriage, or even co-habitation. Indeed, as the Civitas paper 'The Lone-Parent Trap'¹⁸⁸ demonstrates, there are various ways in which the system actively discourages marriage. The authors show how in these circumstances, among others, getting married makes you worse off:

- two parents, neither in work, both on benefits, and up to now living separately
- the same mother not working, and the father working full-time at minimum wage
- the mother works part time and gets working families tax credit, and the father works full-time at minimum wage
- they both work at the minimum wage
- the mother works full-time at minimum wage and the father full-time at twice the minimum wage

That's quite a range of circumstances in which the fiscal system would discourage you from making what we see as a very positive and socially worthwhile choice. Of course, it isn't deliberate on the part of the government. Tax and social security sometimes seem close to a zero-sum game when it comes to affecting behaviour. The marriage disincentives above are in part caused by the government's efforts to 'make work pay', mitigating the poverty trap and the unemployment trap – aims which in isolation we of course support. But that doesn't mean we should give up – and there *are* ways of achieving the one without harming the other; we return to these shortly.

Things can only get worse – or can they?

It is not true that you can't stem the tide of primary and secondary single motherhood, nor on teen pregnancy. In the US, between 1995 and 2000, that country saw a bounce-back in the popularity of marriage and a decline in the proportion of children living with a single mother¹⁸⁹. Moreover, among blacks – to a worrying extent, 'blacks' and 'the urban poor' are synonyms in the US – there was a big leap. The proportion of black children living with their married parents rose strongly from 35% in 1995 to 39% in 2000¹⁹⁰.

The US welfare reforms of 1996 made marriage an explicit policy goal, alongside disincentives to single-motherhood and federal encouragement to the states to discourage out-of-wedlock births. But this was no right-wing agenda: it was Bill Clinton's programme. He rightly recognised that if you care about poverty,

¹⁸⁷ 'The Worst Parent in Britain', Mark Nicholson & Rachel Bolland, The Bow Group

¹⁸⁸ 'The Lone Parent Trap: how the welfare system discourages marriage', Civitas, May 2002

¹⁸⁹ 'At last, good news on the family (probably)', *The Economist*, July 26th 2001

¹⁹⁰ *ibid.*

if you want to break the cycle of deprivation, you have to reward the choices that will achieve that, even if it means doing some tough, even apparently uncaring, things in the short term.

Policy Proposals

Based on the analysis above, we put forward these principles for reform:

- Don't accept that there is nothing we can do to stem or reverse the tide of primary and secondary single-motherhood
- Explicitly value families: say that when children are involved, not only is co-habitation preferable to lone-parenthood, but that marriage is preferable to co-habitation
- But retain respect for individual freedom and choice: don't over-penalise the decision not to marry
- Reward positive choices, not just negative situations

Give Marriage Bonuses

We know that marriage is a positive choice in terms of its effect on children and society more broadly. A marriage bonus is a straightforward, means-tested cash payment for choosing to marry. We prefer the cash bonus approach to changing tax thresholds etc, because it is very visible and easy to understand. It can also be designed so as not to interfere with other objectives such as 'making work pay'. With the bonus, whatever else happens, you should be better off getting married¹⁹¹.

When a type of marriage bonus has been suggested in the past, the plan has been criticised as likely to encourage short, unhappy or even fraudulent marriages. That is indeed a danger, but we believe it is possible to mitigate this greatly by (a) deferring the first payment for six months¹⁹², and then (b) spreading the bonus over years 2, 3 and 4.

The other objection to marriage bonuses is the obvious one of expense. A wide-ranging review of welfare is out-of-scope of a paper on the inner cities, but we would like to pay for this targeted, strategic, means-tested benefit out of reductions in (or, over time, through nominal-terms freezing of) universal child benefit.

Create Disincentives to Young Single-Motherhood

It would be foolish to say "young women have babies because they get state benefits and a council house". That's exactly the sort of 'foreign language' statement that we talked about in the introduction to this paper. People have children for all sorts of reasons – including the wish to have someone to love and care for. We don't want to dissuade people from having children. We just want to discourage it at too young an age, and encourage that when it does happen, far better within a stable, long-term relationship, preferably marriage. In the absence of such a relationship, the next best alternative is your existing family.

In trying to promote childbirth within stable relationships, you cannot avoid the question of incentives and disincentives given by the tax/benefits system. We are not claiming this is the primary motivation for most, or even some, people. But it is, inevitably, one factor.

We do not believe you can go far in cutting benefits to single mothers without causing great hardship to them and their children. So, we do not advocate cutting benefits overall. But we would like to re-balance the system so that for young women up to the age of 19, in the event of them giving birth, in the absence of the father to live-in and help support, and assuming they cannot support themselves (including the rental of a house or flat):

- If they elect to live 'at home' (i.e. with the grandmother, or both of the grandparents), they receive slightly more than is paid today, with a portion of the benefit being paid direct to the grandparent(s)
- If they elect not to live at home (or the grandparents refuse), they receive slightly less than today

¹⁹¹ This means making the bonus significantly greater than the adverse fiscal effect of merging incomes for tax/benefits purposes (whether employed or unemployed), basing the years 2, 3 and 4 payments on financial circumstances in year 1 (unless they deteriorate), and making the tapering-off sufficiently gradual

¹⁹² unless you have a child during that period, or immediately before it, in which case a one-off payment would be made

In a grandparent's home there will generally be a loving and supportive environment, not to mention practical experience of childcare.

Of course, there will be circumstances where this is not possible and cannot be promoted, such as a history of abuse, the presence of alcohol or drug problems, or indeed the earlier death of the grandmother. In these circumstances, benefits would continue as now.

This is only a re-balancing: we are not advocating any change in the overall spend on welfare to young single mothers.

Help Localities Find Their Own Ways to Promote Family Life

It is unlikely that any central government programme would succeed in promoting family life, and anyway such an approach jars. But we would like to see CareBank¹⁹³ funding available for local initiatives, in the same way that Clinton made federal funds available to the states to promote the family. This could include parenting education as part of the 'New Deal for Lone Parents', or similar programmes; or myriad ways to help families in deprived areas just do their own thing. One such idea we brainstormed is 'Dads' & Lads' Football' (see box), but this is just an example.

Dads' & Lads' Football

A classic father & son bonding experience is to go to football together. Unfortunately what was once a working class staple activity is now beyond the financial means of many – certainly most people in the poor inner city areas we're focusing on.

But, even at Arsenal and Man Utd, there are empty seats at Carling Cup matches, and even more at (official) reserve team matches. The marginal cost to the clubs of filling these is close to zero, so long as it doesn't cannibalise full-rate sales.

Why not allocate pairs of seats to kids from deprived estates on condition that they bring along a parent (it doesn't have to be dad)?

We're sure there could be masses of ideas like this one out there.

Make Adoption Easier

We believe there should be a national register for adoptees and that the criterion for adoption should be the ability to parent and nurture a child, not ethnicity, religious or social background. Given that 25% of the BGIC-250 sample are non-white, when England and Wales are 91% white, the maths dictates that ethnic matching will work against kids from inner cities. If the alternative is the State care system, we would rather risk a culture clash.

Zero Tolerance of Domestic Violence and Child Abuse

We started this chapter by noting that families are 'usually a positive force'. That is true, but sadly, not always so. It goes without saying that we must maintain vigilance against the things that make deeply unhappy, rotten and destructive families.

¹⁹³ See 'A Revolution in Devolution' elsewhere in this paper

Sex & the Inner City

When Labour lost the 1983 general election on the back of its extreme manifesto, “the longest suicide note in history¹⁹⁴”, the left wing of that party famously declared that the reason for the loss was not that the platform was too socialist, but that “it wasn’t socialist *enough*”. A similar line of logic seems to apply to sex education. After decades of ever-increasing sex education in schools, we find ourselves with the highest rate of teenage pregnancy in Western Europe¹⁹⁵. And yet it is still argued that sex education is the key to reducing teen pregnancies.

Of course sex education plays a very important role, and we are certainly not going to suggest not having it. But the strong impression we get is that it is not sufficiently counter-balanced by abstinence messages. Some would tell you that the sex education agenda ‘only reflects the reality of what young people are doing anyway’. We accept that. But it reflects it in the manner of a shaving mirror: both reflecting and magnifying. A lot of young people may be ‘doing it anyway’ – but not everyone. And a 15-year-old who hasn’t lost their virginity is going to feel badly left out these days.

Promoting sexual abstinence among mid-teens has recently become a policy goal in the US. We do not claim that exactly the same approach would work in Britain. The it-could-only-happen-in-America ‘Ring Thing¹⁹⁶’, for example, must seem like manna from heaven to liberal-minded documentary-makers. But of course it is perfectly possible to promote a positive abstinence message alongside sensible sex education, without swallowing the American approach whole.

The other counter-argument to abstinence messages runs something like this: ‘there’s no point when all around them, children are bombarded with images of sexuality, on TV, in films, magazines, advertising, branding and music.’ We accept this wider context argument, but we don’t accept that there’s nothing you can do about it – and without having widespread censorship. This area is beyond the scope of this paper. We certainly don’t have all the answers, but we do have a few questions¹⁹⁷.

Job Done?

No. As conservatives it is easy just to talk about ‘abstinence messages’ (whatever they may be), and think we can sort everything out that way. In reality, with the level of sexual activity among today’s children, we will have to do a lot more if we want to try to delay the age at which sexual experimentation starts, reduce its frequency, and help kids to look after themselves emotionally and physically once they are sexually active.

We are certainly not experts in this area, but here are some thoughts from the material we have looked at:

Self-esteem. For girls in particular, it is important to explode the generally-unattainable ‘beauty myth’, that they see all around them – that beauty and worth are based on being thinner, whiter, prettier, wealthier; and that sexuality is the key currency in life. This needs to be a part of school learning, for both boys and girls. We also think that some of the other proposals in this paper will help to promote self-worth, such as recognising *all* a young person’s achievements, not just the academic ones, on a school graduation certificate.

Families. One of the best ways to start young people off on their sexual lives safely and responsibly is simply to keep their own families together. We hope some of the proposals in the chapter above can help achieve this.

Spirituality. It has been shown that spiritual belief – whether a traditional religion, or some other form – can be a protective factor against early sexual experiences and emotional harm. This is yet more reason why faith groups old and new deserve support.

Role models. There are some excellent mentoring programmes out there, and we’d like to see more; in particular as inner cities tend to be close to universities, we’d encourage a big expansion in mentoring among undergraduates – which would have great benefits for the mentor, too. In schools, there need to be more male role models, starting with primary school teachers.

Places to Go, Things to Do. One of the reasons kids get into sex so young in the inner city is that there is simply so little else to do. See our proposals earlier in this paper.

Bragging & Blagging. It was encouraging that the recent Radio 1 / Sexwise campaign “Sex: Are you thinking about it enough?” (with government support) was at pains to point out the obvious (to anyone who has since got older) point that when at school your peer group tells you about their sexual experience, they generally exaggerate. This is such a key message for kids: NOT everyone else is doing it, and not as much as they say. We’d like to see these messages more widespread, but school is not the right place for it (who’d believe the teacher?). Teen magazines, as well as radio and TV, should be enticed or pressured into joining in.

¹⁹⁴ The phrase is Gerald Kaufman’s

¹⁹⁵ ‘Teenage Pregnancy: The Facts Look Bleak’, Dept of Health, 11/7/03

¹⁹⁶ A programme whereby teenagers wear a ring on their finger to declare their commitment to pre-marital virginity, which they then give to their spouse on their wedding day. The programme is now supported by federal funding

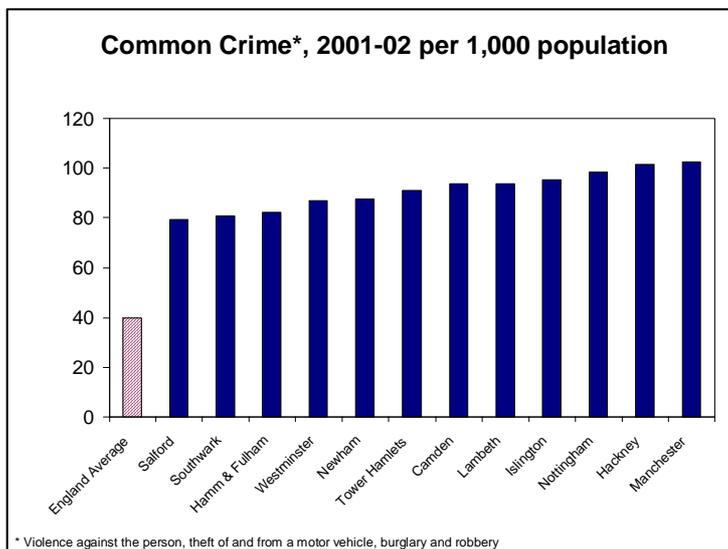
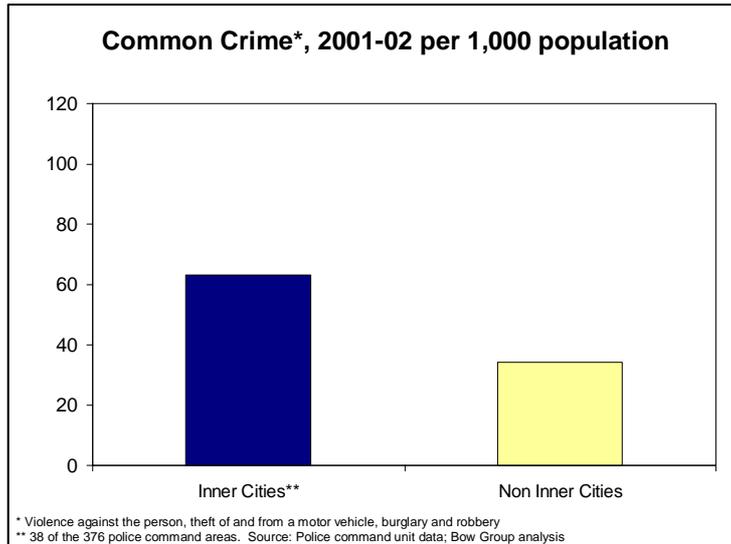
¹⁹⁷ Like: (1) why do many American films that carry an R (17+) certificate in their home country get a 15 certificate here? as most films are American wouldn’t it make sense to have the same age brackets? (2) as we still have the principle of a watershed on TV, and regulators monitoring content (at least a little), how come no-one does the same for magazines aimed at early-teens girls? (3) how come you can write in large letters on a billboard near a school an advertising message which is clearly a snigger-snigger anagram of the word ‘f--k’?

Safe Streets

Crime is disproportionately an inner city problem. The rate of common crimes (violence against the person, theft and robbery) in inner cities is twice as high as elsewhere – 63.2 per thousand people compared to 34.3 outside inner cities¹⁹⁸. The top 10 police command units for these types of crime are all in cities. This is disproportionately an inner city problem that needs inner city solutions.

Background and Analysis

All over the country crime continues to be high. Crimes in all major categories are showing a steady increase. Robberies are up 28%, criminal damage up 11% and drug offences up 7%¹⁹⁹. In London, rape and violent crime continues to rise with a 9% increase in rapes and 10% increase in violent crime. Frighteningly, three quarters of all rapes continue to go unsolved.²⁰⁰ But violent crime is far from just a London problem. The notorious Benwell housing estate in Newcastle-upon-Tyne is said to bear comparison with the war-ravaged cities of Bosnia, Rwanda, Iraq and Afghanistan²⁰¹. The charts here show that crime rate is far worse in Inner City areas than elsewhere – almost twice the rate – and that all the worst areas for crime are in cities.



In particular, inner city areas remain the worst areas for crimes involving violence, robbery and burglary²⁰². It is no surprise then that a major concern for residents in inner cities is crime. The Urban Task Force noted that 10% of residents in inner-city areas are burgled at least once a year²⁰³. Furthermore, between October 1999 and October 2000 violent crime rose 8% and robbery 21% in inner city areas.

The Institute for the Study of Civil Society (Civitas) pointed out in a recent report that in 1972 there were 1.7 million crimes recorded compared to

5.8 million last year. Historically the rise in crime is so enormous that figures from only the recent past seem unbelievable in comparison. Importantly, the volume of crime rises faster than the size of the police force:

¹⁹⁸ Bow Group Analysis

¹⁹⁹ 2002 Crime figures at a glance, Thursday July 11th 2002, news.bbc.co.uk/1/hi/uk/2123249.stm

²⁰⁰ Rape and violent crime rise in London, Wednesday 23rd April 2003, news.bbc.co.uk/1/hi/uk/2970211.stm

²⁰¹ 'Newcastle estate is just like Bosnia, say war researchers', The Daily Telegraph, 11 March 1999

²⁰² The West Midlands has the highest robbery rate outside London with 4.1 offences per 1,000 people per year. The robbery rate in London is 5.6 offences per 1,000 people per year. Between October 1999 and September 2000, central Newcastle had the highest number of violent attacks – ranging from common assault to murder – with 236.5 per 10,000 residents (figures quoted from Violent Crime Soars, BBC news on the web at news.bbc.co.uk/1/hi/English/uk_politics/newsid_1119000/1119896.stm, 16 January 2001)

²⁰³ 'Waiting for Lord Roger's urban renaissance', The Economist, 3 August 2000

'In 1972 there were 8,900 robberies in the whole of England and Wales. In 2001/2 there were 6,500 in the London Borough of Lambeth alone. In the one month of December 2002 there were 282 robberies of personal property in Lambeth. This exceeds the figure for all robberies, personal and business, for the whole of England and Wales in the whole of any year between the two world wars, with the exception of 1932 where there were 342 and in 1938 when there were 287'.²⁰⁴

Robbery

Robbery²⁰⁵ is concentrated in relatively few police force areas and these are predominantly urban areas. The five police force areas initially covered by the government's robbery target account for 71% of robberies.²⁰⁶ The 10 police forces currently part of the Street Crime Initiative accounted for 83% of all robbery recorded between April 2001 and March 2002²⁰⁷. Around half of all recorded robberies occur in just 20 local authorities, largely in city centre or metropolitan areas.

The 20 BCUs (Basic Command Units) that suffer the highest level of robbery cover five force areas. Fifteen are located in the Metropolitan Police Service, two in Greater Manchester, and one each in the West Midlands, Avon and Somerset and Nottinghamshire. This BCU data suggests that robbery is a distinctly an urban crime.²⁰⁸

Robbery in areas covered by the Metropolitan Police remains disproportionately high accounting for 44% of all recorded robbery although this is down from the 55% recorded in 1987. The number of persons worried about mugging (street robbery) has remained fairly constant but as with most crime the number of people worried is higher in inner city areas.

Metropolitan Police data suggest that robbery has changed as victims and offenders have become younger, and greater in number. In most cases the offender is estimated by the victim to be aged 16 and 20²⁰⁹. There is a shift towards younger *victims* – 25% of all victims in the Metropolitan Police Service are now aged between 11 and 15 years, and 16 to 20 years-olds now account for 22% of all victims. So in total, 47% of victims were between the age of 11 and 20. The age of suspects was 11-20 for 71% of offences, a five-fold increase since 1993²¹⁰.

Patterns of robbery

Patterns of robbery are very dependent on local conditions, in terms of time, victim profile and geography. Robbery is more likely to occur at night. A quarter of robberies happen in the afternoon, and half of robberies happen at weekends. Almost three quarters of robberies in Westminster occurred at night; Lambeth also showed a high proportion of robberies occurring at night.

School-age and retired victims are more likely to be attacked in the afternoon. The high-risk period for school age victims is late afternoon when children will be going home from school or mixing with friends. The activities of more elderly persons will be constrained by their inclination not to go out at night. In these cases victims are often targeted while making trips to shops or when collecting pensions or other benefits²¹¹. The effect of all this on quality of life cannot be overstated.

Gun Crime

Despite the measures taken after the Dunblane massacre several years ago, the use of firearms in Britain has escalated. The post-Dunblane ban on hand guns does not appear to have addressed the real issue of the growth in the illegal possession and use of firearms.

²⁰⁴ Civitas Forces of law and order have lost control, Monday 7th April 2003

²⁰⁵ In English law robbery is defined under the Theft Act of 1968 as follows: "A person is guilty of robbery if he steals, and immediately before or at the time of doing so, and in order to do so used force on any person, or puts or seeks to put any person in fear of being then and there subjected to force". For our purposes this would also include "muggings", street robbery or street crime.

²⁰⁶ The police force areas covered by this target were initially the Met, Greater Manchester, Merseyside, West Midlands and West Yorkshire.

²⁰⁷ Metropolitan Police. West Midlands, Greater Manchester, West Yorkshire, Avon and Somerset, Lancashire, South Yorkshire, Nottinghamshire, Thames Valley, Merseyside. Home Office Research Study 254; The nature of personal robbery

²⁰⁸ . Home Office Research Study 254; The nature of personal robbery page 11.

²⁰⁹ Home Office Research Study 254; The nature of personal robbery page 20.

²¹⁰ This trend in inner city crime is frightening. A recent survey by Mori found significantly higher levels of involvement in crime, particularly phone robbery amongst children excluded from school.

²¹¹ Home Office Research Study 254; The nature of personal robbery page 36.

Gun crime is said to have risen by 35% between 2002 and 2003²¹². The latest gun crime figures are more than double the 4,903 firearms incidents recorded in 1997 when Labour first took power. The biggest increases are in the large metropolitan areas. There were over 9,974 gun related crimes in 2001-2002 as opposed to 7,632 in 2000-2001. Of the 9,974 crimes, 1,361 occurred in greater Manchester, 4,192 in the Metropolitan police force area, and 1,289 in the West Midlands. These 3 police force areas out of 43 in England and Wales suffered 69% of all gun crime, the Metropolitan police area alone suffering 42%.²¹³

In Birmingham, the tragic death of two teenage girls, caught in the crossfire of a Birmingham gang feud, dominated the New Year 2003 headlines. Birmingham, until recent years, has been a city relatively free of shootings, while they were relatively common in Manchester and London. Now shootings and other violent attacks are regular occurrences in inner city areas of Birmingham. One city centre hospital is now dealing with 12 victims a month.

Risk increases if you are involved in a gang. During the past year, there have been five murders among gangs operating in South Manchester. All the victims were shot dead. Researchers in Manchester found that while ethnic groups were disproportionately represented in gangs, the gangs themselves were not organised along racial lines. A key factor driving gang membership was social exclusion and a desire for status.^{214 215} At the same time, the growth in drug use has seen dealers increasingly using guns to protect their businesses.

Drugs

The problem of drugs in inner city areas is covered in the chapter *The Needle & the Damage Done*.

Highlighting the Contrast: Newham vs Norfolk

To highlight the dramatic contrast of the impact of crime on the urban and the rural environments this section will compare an inner city borough and a rural county. Surveyed here are two areas of the country with vastly different experiences of crime; Norfolk and the London Borough of Newham.

Living in Newham and Norfolk.

Norfolk is a fairly sparsely populated²¹⁶ and largely rural county in the east of England. The population is of some 797,000 people (mid-2001).²¹⁷ Newham is a borough in East London five miles from the City of London, whose neighbours include Tower Hamlets and Hackney. According to the 2001 census Newham has a population of 243,727, less than a third of the population of Norfolk.

Newham has the highest percentage of population aged 0-24 in England and Wales, with over 40% of its population in this age range. Newham has the highest percentage of children aged 0-4 and 5-9 in England and Wales - over 16.5% in total and the largest proportion of people under the age of 1 in the UK as a whole (1.73% of the total population).

Newham has attracted people from India, Pakistan, Bangladesh, Sri Lanka, the Caribbean and Africa. In 2000, it was estimated that over half the population is now from Black and Asian communities, with the proportion higher among younger residents. There are more than 30 ethnic minority communities in the borough. Newham has also a highly migrant population – figures for the population census had to be adjusted as only 80% of the population actually responded to the survey²¹⁸.

Newham is also one of the most deprived boroughs in the UK²¹⁹. Many of the residents of Newham exhibit features typical of a disadvantaged community. For example, low incomes²²⁰, low levels of qualifications²²¹, a low skills base, poor housing²²², and poor health²²³. There is clearly a need to

²¹² See http://news.bbc.co.uk/1/hi/uk_politics/2640817.stm

²¹³ Gun crime and your area, Thursday, 9 January, 2003, news.bbc.co.uk

²¹⁴ Turning teenagers away from guns, Thursday, 9 January, 2003, news.bbc.co.uk

²¹⁵ Shootings part of the city's violent trend, Friday 3 January 2003 news.bbc.co.uk

²¹⁶ It has a population density of around 1.5 persons per hectare. London in comparison has a population density of around 46 people per hectare.

²¹⁷ www.norfolk.gov.uk/council/statistics/demography/

²¹⁸ though it is not clear to what extent this was directly caused by the migrant nature of the population

²¹⁹ According to the index of Multiple deprivation 2000 The whole of Newham is ranked as very deprived, with only Wall End, Forest Gate, South, Central, Bemersyde and Greatfield wards not being in the top 100 most deprived wards in Greater London.

²²⁰ For example, 40% of the borough population aged under 16, mid-year 1998, are dependents of Income Support claimants.

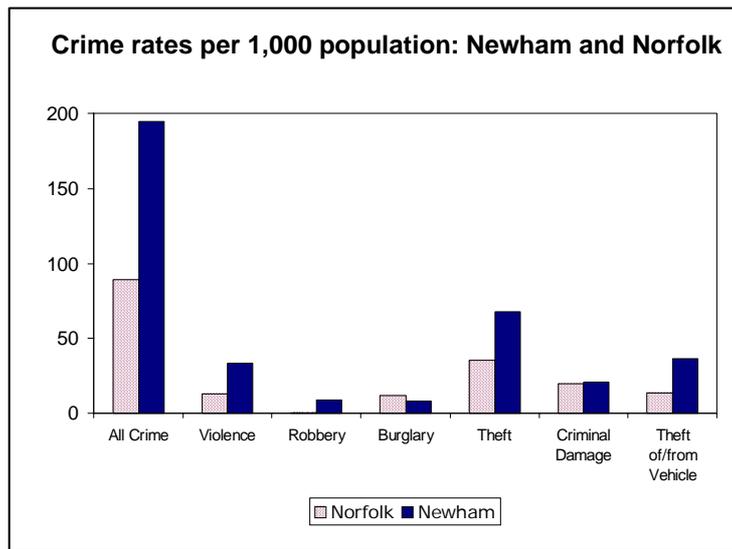
²²¹ Approximately 30% of the working age population have no formal qualifications as opposed to a national average of 17% www.newham.info/education.htm

understand the factors underlying these elements of disadvantage and how they impact upon local people.²²⁴ If we look at the household overcrowding indicator, the figures for Newham are around 25% as opposed to Norfolk which is around 2-3 %.

Norfolk by contrast has a nearly 99% white, UK-born population and only 26% of its population is in the 0 – 24 age bracket. The percentage of the population between 0 and 9 is also considerably lower with only 10% of the population in this age bracket. Home ownership is a lot higher, typically home ownership in Norfolk is greater than 65%²²⁵.

Crime Rates

In Norfolk, 71,270 crimes were recorded in the year from April 2002 to March 2003. This represents 89 crimes per 1,000 people in the county. Newham's crime rate is 194.9 per 1000 of the population – over twice that of Norfolk. One survey has suggested the cost of crime for 2002/03 in Newham to have been £465 million.²²⁶ The chart below breaks down the recorded crime by category.



The nature of the crime is also quite telling. While Norfolk had to contend with approximately 10,000 crimes against the person, Newham had to contend with 8,096. This means that, with only 30% of the population, it has 80% the amount of violent crime.

Clear-Up Rates

The clear up rates are even more disturbing. Norfolk clears up over 70% of its violent crimes, whilst in Newham the figure is closer to 25%. This seems to correspond to the general trend identified in Home Office statistics that the greater the number of crimes the lower the clear up rate²²⁷. In all other crime where the clear up rate is recorded Newham does worse.

Clear-up Rates	Crimes of Violence	Robbery	Burglary	Theft of a Motor Vehicle	Theft from a motor Vehicle
Newham	24.3	9.0	7.3	9.0	3.2
Norfolk Central	66.2	23.6	14.3	14.9	4.8
Norfolk West	74.5	18.9	15.2	20.7	9.5
Norfolk East	74.1	30.9	17.8	14.3	6.9

Levels of Policing

At the time of writing, the number of police officers in Norfolk is approximately 1500. This force is supplemented by around 450 special constables. In comparison to Norfolk, Newham has a total of 733

²²² Over half the population are in social housing or the private rented sector. www.newham.info/housing.htm

²²³ Newham has the highest Standardised Mortality Ratio (SMR) in London. At 111, this shows Newham as having 11% more deaths than would otherwise be expected. This is an indicator of poor health and deprivation. www.newham.info/education.htm.

²²⁴ Institute of social and economic research. www.iser.essex.ac.uk/ulsc/projects/lin/index.php

²²⁵ www.nationalstatistics.gov.uk

²²⁶ 'The Economic Cost of Crime in London'. Cited in the Evening Standard

²²⁷ Crime in England Wales 2002/03 www.homeoffice.gov.uk/rds/crimeew0203.html

police officers plus 11 special constables. Newham has one police officer for every 323 people whilst Norfolk has one police officer for every 531 people. But Newham police have to deal with 65 crimes per officer whilst Norfolk has to deal with 47 per officer. Of course, if you make an allowance for the special constables, the contrast is even greater.

Why we might expect crime in Newham to be worse

Any analysis of why crime is higher in some areas is always likely to be controversial. However the following points can fairly safely be made:

- If it is accepted that most crimes are initiated by the 16 – 20 age group, an area such as Newham with one of the largest populations of that age group in the country is going to suffer disproportionately from crime.
- General poor performance in education compounded with general social deprivation may well exacerbate criminal behaviour, as evidenced elsewhere in this paper.
- The higher the level of crime the lower the clear-up rate – so criminals may commit more crimes as the perceived chance of being thwarted or apprehended appears to diminish.
- One reason for the difference in the number of Special Constables recruited in our two examples may be that the perception of the police and its relationship to the local population in Newham is not as happily defined as it is in Norfolk

Lastly, since Newham suffers proportionately more violent crime than Norfolk and that it follows that more time is spent on these crimes than other crimes it will be to the overall detriment of the clear-up rate. For example, a murder of a child whose body has been driven off to a remote bit of wasteland, may take many officers many thousands of hours of effort even before the body is discovered and the crime can start to be solved. Crimes such as this can only detract from the clear-up rate for what most people would consider lesser crimes.

Conclusion

If our example of Newham is typical then clearly there is too much expectation on the police forces of the inner cities. With considerably more crime to deal with and a significant proportion of that crime of a more serious nature it is no wonder that the police are stretched and their ability to prevent crime and/or clear it up is severely curtailed.

Policy Proposals

The following outcomes are required by policy initiatives in inner city policing:

- Improved public confidence that neighbourhoods will become safer through improved detection rates
- Active engagement with local communities to identify concerns, set priorities and contribute to solutions to improve community safety
- Additional visible police officers on the beat to build public confidence and to deter offenders by increasing the risk of detection
- Extension of schemes to improve the response to ‘zero tolerance’ activities such as abandoned vehicles, fly tipping, street trading and fly posting.

New York

The UK can learn lessons about inner city policing from New York’s policing style. New York’s robbery rate per capita is 540 compared with London’s 620. Robbery in London grew 105% between 1991 and 2002 while New York’s figures fell 73%. Given these figures are moving in different directions it would require a complete turnaround and a large improvement to equal the success of New York. Since 1994, New York’s policy has been to greatly increase the number of police officers, use ‘Comstat’ to track crimes, and confidently attack trivial crime and disorder regarding them as a seed bed for worse things.²²⁸

²²⁸ Police ‘have lost control’ Monday 7th April 2003, news.bbc.co.uk/1/hi/uk/2923665.stm

Cracking down on crime is getting results in the United States, with the effect that falling crime rates are revitalising inner city areas. The fall in the murder rate in America's largest cities is a clear indicator with an almost 60% fall since 1991 when there were 40 murders per 100,000 residents.²²⁹

There has been no single way to deal with the issue. New York has taken the now famous 'zero tolerance' route whilst Chicago and Washington have taken a softer approach. But one thing all the approaches taken have in common is a pro-active stance by the Police to ensure that crimes are prevented, rather than just reacting after the event.

Inner city policing in Britain requires a fundamental rethink, starting with the problems analysed above.

Increase Local Accountability

We want the long-suffering residents of the inner city estates to feel that the police are part of them, are for them, and are accountable to them.

Police should be directed locally by an elected official – a **Sheriff**. This would create a strong incentive to make policing responsive to local needs and to the wishes of the population. Poor performance would not be tolerated, and results would be rewarded. The role would be clearly defined to ensure that any elected Sheriff had a number of clear statutory policing oversight duties to perform that would be necessary for the overall protection of the community.

Police forces should be focusing on making the most efficient use of the resources they have so that they make a difference to the things that matter most to the public. Forces, and indeed individual command units, should be ranked in terms of efficiency and effectiveness to assess the performance of elected sheriffs.

More Visible Police

In inner cities, we recommend **multiple physical locations**, mini police stations if you like, where one or more officer can have his base most of the time. In Paris there are police kiosks on the street. In parts of America police have 'stations' in 7-11 stores. Town Hall Plus (see the chapter *A Revolution in Devolution*) would make one good, physical location for a police point, and there could be others, according to need and public demand. In these areas, the physical density of the area makes this viable – as the policeman can be out and about covering a lot of the patch, and still be within 'paging' distance.

More **basic administration** to do with an arrest and taking a case to court should be taken on by non-frontline police staff. As much of this as possible could take place in a centre that is physically remote from the police station – one such centre could cover many police stations, especially in areas of high population. This would free up more police time to spend on the streets and in investigating and preventing crime. Questions of criminal law procedure are beyond the scope of this paper, but are an obvious starting point for a review of officers' responsibilities.

Given that police in cars are seen as remote, but having police on foot is in some ways inefficient, a good half-way house is **police on bicycles** – these days the snazzier mountain bike type, rather than the old-fashioned copper's bike. This is done in some areas, and we're not sure why such a simple initiative hasn't already been adopted more widely in the inner city areas. Again, the close physical proximity of so much of the patch makes it viable. It may even make sense to explore greater use of police dogs if the public were to find this reassuring.

Decrease the Chances of Crime

Many crimes are committed by/on school-age children at times of the day when their parents can't possibly look out for them. A simple way to get round this would be, for inner city schools, to **lengthen the school day**, to say 4.45 – not so late as to cause a transport clash with the working population, but late enough to almost eliminate the 'un-monitored time window'. If there isn't enough lesson-material to stretch (unlikely, we suggest, given what we know about the GCSE achievement gap – see the chapter *The Future Starts Here: School*), or it is felt this would over-work teachers, then pad the day out with more sport – or even longer breaks if necessary. Or if even that is deemed to hard, for whatever reason, then the least-best improvement would be simply to start the whole school day later – crime being less likely at 9.30am than 4pm.

²²⁹ Crime clean-up restores life to US inner cities electronic Telegraph Sunday 4th June 2000.

Housing should provide people with **wide views over their place of residence**: it is important that an area should be overlooked so that other people can see what is going on in it. Housing should be planned to enable residents to observe people coming and going through, for example, a gated courtyard entrance. Such a courtyard could include a play area where children can play observed by many adults. We thereby create socially active settings where neighbours are clustered into smaller groups that can watch over each other's children, keep out unwanted visitors and watch over the public spaces.

Secure recreational spaces should be available. Public spaces are important for the residents of inner cities: many low-income families have little possibility of taking advantage of the facilities that other parts of cities enjoy. Where there are parks in deprived inner city areas, they have often become a haven for loitering vandals or drug use. We should consider designing housing with central squares that can be used as play grounds. These could be lockable like some London squares.

CCTV should be more widely used in housing areas. CCTV has been shown to reduce crime and even to be able to predict criminal activity. In Newham, crime has dropped 35% since the introduction of a scheme in October 1998.²³⁰ CCTV is a growing and innovative area of technology, with developments in things like automatic number plate recognition systems and facial recognition systems. Provided that they are monitored intelligently, these can have a material impact on addressing criminal behaviour.

By fostering a sense of ownership in these ways and creating a space more easily monitored by local residents, it should be possible to encourage residents to assume more responsibility in maintaining their residencies and to discourage others from using residential areas for covert activities: vandalism, drug traffic, prostitution and other crime. From studying the incidence of vandalism on different housing estates, it was found that most of it happened in public places, and not in areas that were clearly 'owned' by a resident or small group of residents. The most extreme examples of vandalism happened in public places that were also enclosed or hidden from view, like lifts or stairwells.

Use Modern Technology

There are a number of applications of technology that we would like to see more of which, admittedly, do not especially have an inner city angle. These include handheld PC devices for things like number-plate look-ups (Hertz manage it), on-line mug shot books and stolen property reports.

In inner cities²³¹, the density of the mobile phone network makes practical simple **tagging devices** that enable the position of those wearing a device to be calculated. All those convicted of a crime carrying a custodial sentence (and at the discretion of the sentencing judge) should be obliged to wear such a device during any unserved part of their sentence. This would greatly increase the chance of apprehending them if they re-offended since it would be possible to know their location.

²³⁰ Surveillance cameras will 'predict crimes', Electronic Telegraph, 16th July 2000.

²³¹ We'd like to do this everywhere – but the mast-density in inner cities makes it more viable there

The Place to Live

Housing is different in the inner cities. There is considerably more housing provided or funded by the state than in rest of the country. In some inner city areas, many properties are derelict and significant areas are being razed. We believe that it is possible to improve both the quantity of housing available in inner city areas and improve the quality of the existing stock. This will help to meet existing and expected future demand and allow greater possibilities to move between areas to follow opportunities.

Background

The housing market is failing the inner cities. There are many reasons to believe this: acres of desolate land, empty council and privately owned houses, desolate estates. Liverpool has 8% of all properties lying vacant²³². Even when it is not vacant, inner city housing is frequently of poor quality. The majority of Birmingham's 429 housing blocks had some kind of brick or cladding damage within 20 years of construction²³³. We need to establish ways to encourage more building. We also need to enhance the social housing stock and how it is allocated to residents.

Housing in the inner cities is different to the rest of the UK. The 'Profile of Britain's Inner Cities' chapter outlined some of these differences and in particular, the proportion of council and social housing in BGIC 250 wards is significantly higher than the national average. By implication, some inner city wards have an exceptionally low percentage of homeowners. In Ardwick (Manchester) and Faraday in Southwark only 12% own their own homes²³⁴. A significant element of this social housing was built as tower blocks. In the inner city areas nearly three times as many people live on the 4th floor of a building or above, as in the rest of the country (5.5% as opposed to 1.9%)²³⁵.

Some areas of inner cities do not even have usable buildings. A recent English Partnerships report²³⁶ outlined that 66,000 hectares of previously developed land is derelict or unused. Whilst not all of this is inner city, significant acreages are. The National Land Use Database shows 3,520 hectares in Greater London that can be reused²³⁷.

At the same time as the inner cities are declining, the House Builders Federation is forecasting 55,000 extra new houses must be built per year across the country to meet the expected demand for new housing²³⁸. The current government's response to this requirement is to look primarily at building in the countryside through a programme of 'predict and provide' which lays down the number of overall houses with a target of 60% brown field construction²³⁹; the inner cities have ideal characteristics to meet this target. The growth in demand is in elderly and single person households, precisely the sort of high-density occupancy that would suit the inner cities.

In London and Manchester, the problems of housing in the cities as a whole are very different, but we believe that the solutions are similar, namely remove some of the dead-weights which prevent or reduce the amount of house building. Stage one of developing the housing environment is to produce more housing, which will alleviate the cost pressures on house buyers and help the local economy.

Policy Proposals

Encouraging new construction

Conversations with a number of urban developers have repeatedly drawn our attention to the need to change the planning system stopping change of use. London's docklands benefited from the establishment of the London Docklands Development Corporation and the related reduction of planning controls.

In inner cities, we propose that the planning constraints on changing land from industrial use to domestic use should be significantly reduced by deregulating the classifications on land use and speeding up planning decisions by using a rules based planning system to make it easy to predict whether a planning

²³² compared to a national average of 3%

²³³ Nicholas Timmins – The Five Giants, 1995

²³⁴ BGIC 250

²³⁵ Sic

²³⁶ National Strategy for Brownfield Land – English Partnerships September 2003

²³⁷ National Land Use Database – Previously Developed Land Results for 2002, published September 2003

²³⁸ Quoted in the Guardian on 7th Dec 2003

²³⁹ http://www.odpm.gov.uk/stellent/groups/odpm_communities/documents/page/odpm_comm_022184-07.hcsp

decision will be accepted or rejected. Removing uncertainty in the planning process will significantly encourage redevelopment.

A parallel policy we wish to encourage is the conversion of *existing* buildings via relaxation of the change of use planning rules. Manchester, Leeds and Sheffield have recently undergone large-scale redevelopment of their city centres areas as a result of the expansion of further education and the vogue for city centre living. The city centre population of Leeds has increased from 1,000 ten years ago to 5,200 in 2002²⁴⁰. Much of this growth has involved developing existing properties and we wish to accelerate this process in the inner cities.

We would also remove the ability of local mayors to impose social building on a development. Ken Livingstone's argument is that the builders of developments make big profits out of obtaining planning permission so they should pay for a proportion of social housing. We believe that if there were much lower barriers to developing buildings in the inner cities, more property would be built and this would significantly reduce the profits attached to obtaining planning permission, as well as significantly reducing the price developers needed to charge to recoup their investment.

We also wish to make two tax changes. The next government should correct the difference on treatment of conversion of existing buildings into housing within inner city areas. New building construction is classified as VAT free whereas building conversions are liable for VAT. This makes greenfield sites cheaper for the buyer than brownfield redevelopment. We believe a reversal of this tax policy in all designated inner city areas would benefit inner cities and reduce the pressure on greenfield sites. The current government has introduced limited schemes to provide capital allowances for decontamination of brownfield sites in areas of deprivation. We propose the abolition of VAT on all conversions in inner city areas for pre-determined time periods of between five and ten years.

Last, we want stamp duty to be a levied locally (see 'A Revolution in Devolution' chapter later). We hope that this will help to bring down the tax on transactions to encourage more of them, as high tax locations will compete with low tax ones. One of the options which central government could choose to exercise is providing subsidies in inner city areas so that the stamp duty is zero or near zero for domestic and commercial properties.

Together, we hope that these changes will change economics of building and hence encourage more development in inner cities. We do not pretend that these are the only changes that need to be made to the private housing stock, and we recognise that success in making inner city locations safer for the residents will also have a big impact on the attractiveness for residents.

You will note that we have not proposed specific building agencies or more routes to help local government co-ordinate building activities. Cities are complex enough and we would rather that lots of developments were created organically out of the community rather than dropped on them.

Improving social housing

There are many aspects to public sector housing provision. We have focused on the three elements below because they have a particular bearing on the inner cities. We recognise that there are many other problems with – for example – the operation of housing benefit, but these problems extend across all councils and the need for reform is national rather than just inner city.

The list

Council housing is allocated through a form of rationing by lists maintained by individual councils. This is not a simple queue where an applicant joins and effectively waits his turn; some groups have higher priorities than others, it commonly operates through the operation of a points system depending upon need as viewed by the relevant council and by statutory duties to house those involuntarily made homeless.

Single parents and asylum seekers are generally given higher priorities overall as these are directed from central government. Given the limited supply available it essentially means that the chances of a single person who wishes to move to a different city where there is a job, has a low chance of receiving a council flat. Apart from the resentment that this causes against high profile targets like asylum seekers, it is unlikely to lead to the best use of the stock of housing available from a wider point of view.

²⁴⁰ http://www.leedsinitiative.org/initiativeDocuments/2003710_75208682.pdf

The issue is allocating council housing solely based on local requests. We want the next government to break away from this traditional approach. The creation of a single urban social housing list across the country is one of the key objectives that the next government should introduce in order to improve the workings of the housing market and minimise the existence of homelessness (Shelter estimates that 201,000 homeless households approached local authorities in England in 2002/3)²⁴¹. We are happy for local councils to continue to determine their own housing priorities and ideally seek to reduce central government determination of priorities, we simply want to introduce an urban element for all inner cities to participate in²⁴².

Although there have been a limited number of bilateral schemes in place to shift housing applicants. People can go to Kirklees from Westminster through the Homeswap list or residents over 60 years of age are able retire to any vacant properties owned by the North British Housing Association throughout the country. We wish to extend the principle of these schemes to a national level. Using the Internet supplemented by council agencies or voluntary bodies, we would allow someone in for example Birmingham to log on (perhaps at a Town Hall Plus referred to in the chapter on “Revolution in Devolution”) and apply for any surplus housing in say Newcastle or Liverpool. The person or council desiring a place to live could review the urban housing list, which would show the availability of all social housing.

We believe that this urban list should be seen as a Social Housing Clearing System as per university places in which each supplier such as a social landlord or council advertises its vacancy in a series of set categories (such as single person household / different sized family groups) and if this vacancy is not filled locally then after 28 days it should be available to anyone who applies through the national list, perhaps on a ‘first come, first served’ basis. In areas that have surplus social housing such as many Northern cities like Salford and Newcastle, rather than demolish social housing, an alternative solution is to allocate the spare housing available to those waiting on lists in other areas, funded by the original provider of the individual / family in need of help²⁴³.

Empty housing is a problem in both the private and public sectors. Although empty housing is seen as a Northern phenomenon, 717, 000 houses are empty nationally including 180,000 in the southeast and London.²⁴⁴ In London, there were over 9,000 council houses empty, including over 900 in each of Southwark and Lewisham.

A high proportion of empty housing is privately owned and this can be a problem. Such properties often attract dereliction and are not maintained, reducing the overall quality of a neighbourhood and reducing the attractiveness of such areas to new buyers. Potentially they are also symptoms to the ‘broken windows’ syndrome identified by James Wilson as being a potential catalyst for the degeneration of an area.

Empty Homes under the Hammer

The problem of empty homes not being used by councils continues to be a poor use of public assets. We propose to automatically auction all public sector owned housing if it is empty for more than four months unless a programme of full remedial works is being undertaken. This will force the public sector to manage its houses better. All housing trusts funded via local authorities would have to agree to the same as part of their contract.

We are recommending that the next government addresses this by abolishing the 50% discount on council tax for non-primary residences and applying rules that force owners to maintain properties to a certain level i.e. not allow their properties to become derelict. If owners do not respond to instructions to repair then they should be fined and in persistent cases have their property compulsory purchased and auctioned.

Council Housing

The lack of attraction of social housing is due to the poor quality of much of the housing infrastructure. This has been often been as a result of the poor quality of management by many housing departments and financial constraints. The existence of a number of non-state social housing groups such as the Peabody trust and Guinness housing trust demonstrates that it is possible for quality housing to be provided on a social basis featuring high quality materials and construction. The first housing act in 1890 provided that

²⁴¹ http://www.shelter.org.uk/images/pdfs/factsheets/Homeless_in_E_gland_nov_03.pdf

²⁴² We would actually like to see the scheme introduced nationally as well if is possible, but are happy to start just in the inner cities

²⁴³ This will require the government to overturn the decision of the courts to allow asylum seekers to remain in London if so directed.

²⁴⁴ www.emptyhomes.com

government could build social housing but explicitly saw that it should be a short-term enabler as council built property had to be sold after 10 years to the private sector. The lesson for us is to determine why the state cannot provide social housing on at least an equivalent basis as an organisation such as the Peabody trust. As a result of the historical evidence we believe that the role of the state should be that of enabler and not provider.

We are looking for the next government to take itself out of the ownership and physical management of all inner city social housing. Conservative governments in the 1980s began the process of creation of the social landlord sector. We see this process as a useful initial step for the next government to pursue further with the transfer of *all* inner city local authority housing, to housing trusts or bodies such as Peabody or Guinness. We also look for the government not to transfer the local authority housing on a borough wide basis but to split the housing within a council to differing social landlords to stimulate competition between landlords and to provide upward pressure on standards. The landlord, as with some modern housing trusts can operate within multiple councils. We wish to break the idea of the social sector housing being provided in units matching the size of a council. Though we do not know the ideal size of unit providing social housing, it is unlikely to be a council, especially given the variation in size of council housing stocks.

The social housing sector often features large purpose built housing estates such as Broadwater Farm in north London, Hyde Park in Sheffield which symptomise urban neglect. We take the view that large-scale housing areas are undesirable and hope that it is possible to support the abolition and replacement of large social housing estates over the long term. Even in the short term however the next government can take initial steps by breaking up large estates into a number of differently owned parts to allow choice. In cases such as old tower blocks where there is no real chance of selling off houses to tenants but it is too costly to demolish and rebuild, we expect the housing trusts to look at models such as cooperatives whereby the tenants in a block of flats can take decisions on the basis of group control. This means decisions such as management, maintenance and introduction of new tenants can involve tenants on a collective basis.

We envisage reporting and publication of statistical information will aid our overall process through publishing tenant satisfaction ratings, time spent waiting for essential repairs, time spent since redecoration/ refurbishment, prices and facilities available in the form of league tables between various social landlords. This would allow more meaningful comparisons for users of social housing.

We recognise that part of the problem for councils is that they are constrained by their function as house provider of last resort as a result of the Housing Act of 1996 and extended in 2002 which obliges local authorities to house those deemed involuntarily homeless and correspondingly shall be required to deal with more problem tenants than the private sector. Taking of housing management out of the responsibility of local authorities will not by itself reduce the problem of anti-social tenants. We need to ensure that housing trusts are conversant with and are provided powers to act against problem tenants, or is appropriately resourced to work with the police and other bodies to improve the overall quality of life on estates such as improved behaviour orders or confiscation of noisy equipment (such as music equipment). These powers would be akin to those currently available to local authorities. Westminster council, as the BBC's Noise Patrol television documentary has shown, uses its powers to reduce anti-social noise and behaviour.

Our proposal resolves the oft made point that local authorities cannot reinvest in the housing market once they have sold a house, as the selling party would now be a trust which could reinvest. In fact the rental streams, given some security of rental income, could be used as the basis of borrowing to invest in further properties.

Let to buy

The right to buy council house legislation has been a huge success in terms of allowing home ownership to many who would otherwise not be able to afford it, but following the next government's transfer of housing stock to social landlords we need to consider to what extent we can allow tenants to buy the property that they rent from social landlords. Many tenants might be able to afford to make some contribution without being able to afford to buy their whole flat.

The idea of let to buy is that tenants can buy a proportion of their residence. We see a useful model in terms of the leasehold market for council flats and maisonettes in which a tenant could purchase a partial long-term lease from a social landlord which could be traded to a third party while still requiring an annual rental to the original social landlord who would retain the freehold. This will allow all parties to benefit, the social landlord could retain some rental income and the tenant would be able to purchase an

asset for their own benefit and achieve an element of home ownership. This can be extended to include existing policies such as shared ownership of varying proportions with bonuses for good behaviour if appropriate for tenants in areas with deprivation over the long term. This can give tenants incentives to maintain their own property.

Conclusion

Ultimately our goal is to improve the housing stock. No single change will lead to transformation, but at the start we stated that we hoped to remove some of the dead weights on housing. If we can improve the incentives for development, make them easier, and then improve the environment within which social housing is chosen by those in need, and then operated, then we can make a difference. We hope cumulatively that the changes we are proposing on the housing market will improve the numbers of houses built, and the quality of social housing stock. This will make the inner cities a better place to live.

Getting Around

With transport, for obvious reasons, you can't look at small areas in isolation. This chapter therefore talks not just about deprived inner city areas, but about cities in general. Given that many city centres have already been successfully redeveloped, a key factor in spreading the benefit is ease of access. Good transport links can also materially improve the employment prospects of people living in places which are, as we have seen, relatively poorly-endowed with employment opportunities. And especially with car ownership being so low (51% in the BGIC-250 versus 73% in the country overall) any policy shift towards emphasising and improving public transport (and walking/cycling) will disproportionately benefit the inner city areas with which we are concerned.

Background & Analysis

Everyone needs to travel in some form every day of their lives, and failing transport provision is a strong cause of inner city deprivation. High levels of road traffic and poor, inflexible public transport services adversely affect the health, economy, unity and standard of living of people in our inner cities. Fears for personal safety, whether it is from traffic or crime, have contributed to a decline in walking and cycling, even though an improvement in these areas would also be good for the health and mobility of people who live in inner cities.

Transport differs from all other problems facing inner cities because it seems to get worse, rather than better, with economic development. While sanitation, education, housing and other challenges seem to improve with prosperity, without strategic planning transport can actually deteriorate as an area becomes more affluent. More industry and wealth means more cars on the streets; and those who don't travel by car clog up the scarce numbers of buses, trains and other forms of public transport, making them less attractive travel options. Transport policy to date has seemed to deal with short-term sticking plaster solutions to this, rather than any attempt to change behaviour.

Transport also differs because it is impossible to prescribe a heal-all solution. Unlike health policy, or education, where the same idea can generally be applied in any area of the country, transport has to take special account of existing infrastructure and local needs. The task of identifying the most pertinent transport solution for every area, even if we were to restrict it to just a handful of areas, is beyond the scope and means of this paper, which instead seeks to identify some common problems and point to examples of good practice, from British cities and abroad, that could be emulated.

Many of Britain's inner-city areas form part of the old industrial centres, established in the 18th and 19th century, which were reconfigured during the 1960s and 70s to make way for road schemes and urban renewal built around motor transport. This has not only destroyed the physical appearance of many urban centres but has also caused the severance and dislocation of communities and higher levels of pollution, congestion and noise. Their design was fine for their time, but they are unsuited to the current and future needs of those who live there.

Perhaps surprisingly car ownership in inner city areas is far lower than elsewhere. In the BGIC-250 sample, almost half of inner city households (49%) do not own a car or a van, compared with the national average of 27%²⁴⁵. According to the DfT, two thirds of households in the bottom quintile in terms of earnings (which would tend to feature those living in areas in need of dramatic regeneration) don't even have access to a car²⁴⁶. They rely on walking or public transport and yet they often find that the public transport offered is insufficient or unsafe. It must be our motivation to improve their options and safety on these modes of transport, so that people who cannot use a car still have the freedom and mobility of those who do.

Nonetheless, even though car usage is lower in inner cities, traffic levels are still a particular concern for people in urban areas overall. In a 1999 DfT poll, 71% of those living in major urban areas said that traffic was a problem; 25% said it was a serious problem, more than those who said the same about litter or crime. Unrestricted car use brings about traffic jams, which create enormous pressure to invest in more road infrastructure and this in turn kills street life, damages the social fabric of communities, isolates people, blots the city's beauty, creates noise and causes pollution. In the past couple of decades there has been a major increase in congestion in large urban areas. It is still too early to quantify the impact of London's Congestion Charge on that city's congestion, but an interim report after six months estimated that traffic levels were down by about 30% and this fall seemed to be constant by the scheme's first

²⁴⁵ Various wards in Merseyside, as well as Camden and Islington in London, seem to have the lowest incidence of car ownership, with fewer than 35% of house holds owning a car.

²⁴⁶ Focus on personal travel, DTLR 2001

anniversary²⁴⁷. It should be stressed, however, that the congestion charge “zone” is fairly small and that traffic outside the zone has increased, by a small amount.

It must be the aim of a sensible urban local authority to seek to increase the efficiency of its roads, so that people and goods can move more freely. The answer is not to build more roads, but to find ways of encouraging people to drive only when they need to, by improving public transport and making walking and cycling more attractive.

Government failings

Labour’s rhetoric on improving public transport is welcome, as is the increase in spending outlined in the 10-year transport plan after heavy underinvestment by all governments since the Second World War. However some of their targets and methods have been poorly thought-out or left half-done. For instance, after creating the legislation that allowed congestion charging, the government became cool on the idea when the Mayor of London decided to implement it. Then, when it seemed that the scheme was reducing congestion in central London, the government started to explore publicly the idea of expanding road pricing to cover the whole country. This government, which thrives on public love and focus groups, should have the courage of its convictions more often.

Another area where the government is lacking in ambition is in improving bus ridership, which is of key importance for the inner cities where people can’t afford cars. The 10-year plan allows for an increase in bus use of 10% by 2010, which is worryingly unambitious considering that they want to increase rail use in the same period by 50%, even though there is not sufficient infrastructure capacity to do so. It is also concerning that the government has now abandoned its 10-year plan targets for cutting traffic congestion and increasing cycling.

The government’s investment plans are also skewed in favour of higher earners. While few would disagree with the need for major investment in the railways, if not the means of doing it, it seems unfair that 40% of the government’s planned investment under the 10-year Plan for Transport is to go towards passenger rail, while 11% is to be spent on buses, which is the most important mode of public transport for those on the lowest incomes and living in inner cities²⁴⁸.

A slight rethink on Conservative policy

Conservatives are often perceived as the party of the car, and Labour the defenders of public transport. Conservatives like the car. They like the freedom, independence, choice and individuality that it offers. Labour likes to corral people onto mass public transit systems. Conservatives are right to defend the rights of motorists in rural areas, where the car really is a necessity. Public transport is too poor to give people in the countryside any sort of flexibility and alternative to the car, and there is very little chance for improved rural public transport. Indeed it could be argued that because congestion in rural areas is minimal there is little need for improving short-distance public transport. The Conservatives are correct to defend the rights of the rural motorist to travel free from impediment, financial or otherwise.

But the same philosophy does not hold true in the city. The car has been a blight on our cities, although far less so in this country than in America where it is often impossible even to consider walking across town, and it would be wrong to let that blight grow because of increased affluence. We need to understand that even as a city gets more prosperous, it is not desirable to encourage much growth in car ownership, or at least car usage. In fact, a properly designed city would remove the need of most people to use a car. In general, people tend to be happy with a walk of no more than ten minutes²⁴⁹. In the long term, within any redesign of city areas, including their deprived areas, local authorities should ensure that most amenities, such as schools, parks, libraries etc, fall within that ten-minute umbrella for most residential areas. Public transport stations should also be within a similar range, and that can be introduced now. It’s a sad fact that some of London’s most deprived areas are under-represented on the Tube map and poorly served by buses at non-peak times.

²⁴⁷ Transport for London figures

²⁴⁸ Social Exclusion Unit report on transport, *Making the Connections* (2002), chapter 2, which shows the case study of Liverpool as a particular example of poor bus provision in inner cities.

²⁴⁹ Suggested in research by Halden, D. McGuiden, D. and McKinnon (2002) "Accessibility: Review of Measuring Techniques and their Application", Scottish Executive Central Policy Unit, which revealed that people will readily walk five minutes, will generally do 10 and will rarely walk 20 minutes.

It is time that Conservatives acknowledged the necessity of reducing traffic in urban areas. If nothing else, a reduction in traffic would free up the roads for those who have no option but to use them, such as local businesses and the emergency services. A reduction in traffic can and should be achieved by Conservative methods of improving choice rather than increasing tax and regulation.

A removal of cars would allow our cities, once more, to become a place primarily for people. To compensate, there must be abundant high-quality pedestrian public space, perhaps at least as much pedestrian space as road space. There should also be physically protected cycle paths in as many areas as possible. No child should grow up farther than five minutes walk away from a park, as is generally the case in Australian cities. Just think of the improvement in our sporting teams if children in cities had more safe and attractive places to play.

Reducing car use in the city as a whole would improve the sense of community. On non-through roads, the car should be at best an unnoticed presence, and certainly not a dominating one (whereas in some inner city areas this is the case, in others it is not). Reducing traffic would also aid the emergency services. Response rates by the police, ambulance and fire services in inner cities are poor because of the traffic. Emergency vehicles need a clear traffic lane to be maintained on all through streets. While there is a case for more policemen to patrol on bicycle, as they do in Boston and some other American cities, a reduced traffic system can be beneficial for pursuing an urgent crime call.

Reducing traffic would also improve people's personal economy. The amount of time lost sitting in traffic jams is bad for people's businesses and for their stress levels. The savings that they would make financially could be spent on other goods.

In the pages below I suggest ways in which traffic could be reduced. I do not propose any increases in taxation, but rather suggest a new approach to road usage and the way we charge for it. Any new charge is only defensible to the public if they can see improvements and value for their money. I do not suggest regulation, except in moderation. I stick true to the Conservative doctrine never to underestimate the ability of people to make a sensible choice if they are provided with sensible options. For that reason, unlike Labour, I do not suggest that people totally abandon their cars. Many need them for travelling out of the cities, for a start, or for doing heavy shopping. Parents need the security of owning a car in case their child falls ill during the night. That is their right; although many people may find that their need for the car becomes so infrequent that they simply rent a car when they need one, or enter into a car-sharing pool.

Improving public transport

People won't abandon their cars without an attractive public transport alternative, but typically in inner cities public transport is a disagreeable and slow substitute. It needs to become a more pleasant experience and should attain the average speed of a car in light city traffic going into the city centre or to the suburbs. It must also reach all parts of the city. In a large city it should be possible to get anywhere in considerably less than an hour. In the city centre and 'doughnut ring' that surrounds it, these are more tightly drawn; journey times should be dramatically reduced and passengers should never have to transfer lines or modes more than once. Stations should be within a ten-minute walk. Not only will this encourage people to use public transport rather than their cars, but it will also greatly assist the elderly, disabled people and those with small children.

There are plenty of ways in which public transport can be improved. In urban areas, despite a dense public transport network, buses tend to enter town centres on radial routes rather than serving estates in a peripatetic way. A long walk to a bus stop puts many people off. Services in the early morning, evening or weekends are often inadequate. Improving the frequency of bus services is vital – surveys have shown that a service every 15 minutes will attract more than 2.5 times the custom of an hourly service²⁵⁰. Ensuring a consistent timetable is also vital – since deregulation in the mid-1980s there has been a tendency for bus companies to withdraw or reschedule unpopular services, undermining passenger confidence and thus making those services even less likely to be profitable.

Rising or variable fares are also likely to put people off travelling by bus as do unlit, unsafe bus shelters or a lack of information about services – and the fact that integrated ticketing with other local transport modes is currently against competition laws is baffling and has been rightly highlighted by the Social Exclusion Unit²⁵¹. A Conservative government should seek to clear up this mess.

²⁵⁰ Focus on personal travel, DTLR 2001

²⁵¹ Social Exclusion Unit, *ibid*, chapter 3.11.

In London we have settled on a heavy-rail metro as the principal form of moving people around. We have a century of experience of running this sort of network, although you wouldn't know by some of the management decisions that have been made. But building a new heavy-rail metro in an existing city is a very expensive proposition. In Glasgow, the only other city in Britain to have a heavy-rail metro, it is localised and small-scale. But in many or most other cities, it may not be possible or desirable to build or run an extensive metro, and so a cheaper alternative would be to opt for some form of tram or light rail system. The passenger capacity of such a system would be less than on the metro, so its range would have to be fairly limited, but this would work well in terms of serving many inner city areas, those that are in or about the centre itself. The cost of introducing these systems could be kept down by standardising the design, and sharing plans between authorities, as is discussed below.

Walking and cycling

It is also vital that the government gives more attention to greener forms of transport. We lag far behind other European cities in the numbers of people who cycle and walk to work (second lowest in the EU for walking and sixth lowest for cycling²⁵²), despite us having relatively flat roads in our cities and an enviable road safety record – the best in Europe. Our reluctance to embrace greener forms of transport is bad for the environment and bad for the nation's health, actual as well as economic. Important measures were pushed forward when the Conservatives were in government to encourage cycling, but it was all too late and rushed. The current government have done little to put this on the agenda again.

Democracy

Finally, if we believe in democracy and participation, people should have a clear understanding of all of the above. Because transport is such a localised issue in cities, responsibility for constructing and implementing policy should be decentralised. Transport should be above party politics and be more about giving the cities back to the people. To that respect, people should have the power to elect a transport commissioner for their city – and he should be obliged to consult with inner city civic leaders on their community's needs. Whatever we may think about the impact, or lack of it, that Ken Livingstone has had on London during three years as Mayor, he has at least been always open about his belief in the virtues of the congestion charge. People saw it in his manifesto, they knew what they were voting for, and if it should prove to be a failure they will be able to reject him on that basis. For a subject area as locally sensitive and vital as transport, it would be attractive to put this power back in the hands of the people.

Policy Proposals

Roads and Cars

In an ideal world, our cities would be designed along a grid system. Not only does this make it easier to travel from A to B, but it also improves safety for pedestrians. Winding estates may have been the pride of architects in the 1960s and 1970s but they increase journey times and lead to high rates of crime. Straight, brightly lit roads are the way ahead. A massive demolition and rebuilding programme in our city centres and inner city estates is not going to happen, but there has to be a way to maximise the existing road space and ensure that congestion on major arterial roads is slashed dramatically to enable high-speed public transport systems to be put in place.

As mentioned above, car ownership in inner cities is lower than other parts of the country; but congestion caused by through-traffic is a concern in some places. One way to alleviate congestion is to charge people sufficiently to reduce demand, thus allowing free flow of vehicles. The Mayor of London has plumped for a fairly blunt form of congestion charging, whereby people pay a flat £5 a day for travelling within a designated zone between 7am and 6:30pm, regardless of levels of congestion. After a year of operation, there has been a noticeable reduction in congestion in central London (the number of vehicles entering the zone is down about 16% during charging hours and congestion is estimated to have reduced by 30%²⁵³) but it is still too early to tell whether this will be permanent. People may simply get used to the toll, as they have with increased parking charges. In addition, the administrative costs have been higher than predicted (estimated to cost £97m to operate in 2003/04 compared with earlier forecasts of £30m to £50m²⁵⁴), meaning that the overall revenue for local transport has been reduced. On top of this, central

²⁵² Report on European Best Practice, Commission for Integrated Transport

²⁵³ Transport for London figures

²⁵⁴ Transport for London figures

government, using over-optimistic forecasts of revenue, has cut its grant to London Transport by about £200m.

A more sensible solution would have taken a bit more time and introduced an **electronic road pricing mechanism of variable prices that took into account real-time levels of congestion** and would thus allow people to modify their behaviour and travel at less congested times. Cities considering introducing road charging, should therefore examine a more advanced form of value pricing, based on the idea of High-Occupancy Toll (HOT) lanes that have been developing in the USA²⁵⁵. It specifically targets through traffic and would have little impact on localised car usage.

HOT lanes, which were pioneered in 1996, offer tangible value for money in the form of faster, more predictable, and less stressful travel in free-flowing lanes. The main benefit is that motorists are given a choice. They can stay on the minor roads in traffic jams, and thus pay with their time, or they can pay for the privilege of a less congested road.

In the inner city and city centre, it would be desirable to identify a few key arterial roads, stretching horizontally and vertically through the area, on which traffic should be charged for usage. The fee for using these “express lanes” would be variable depending on real-time levels of congestion. It should be possible to devise a pricing mechanism whereby the level of traffic is contained, journey times become more predictable and people get value for their money. Those who don’t wish to pay could use the back streets for free, but be stuck in traffic. In time, only those who need to use their cars would stay on the roads. The money raised would go towards local road maintenance and public transport.

The best way of paying would be through electronic pricing, using sensors to identify a transponder mounted on the dashboard of cars that have already registered to use the scheme. People could either receive a monthly bill, or have a debit account. To accomplish its purpose of offering reliable time savings, an express lane’s limited access must be enforced. Cameras would identify the licence plates of those cars that have not acquired a transponder. The operating company could then warn people, in the first instance, that they have used the lane for free before any fines system is introduced. This is an improvement on the London Mayor’s rather unfair, and excessive, fines system.

It could be argued that express lanes would be just for the elite, that the rich can use to speed past the poor, who remain stuck in traffic. But another way to view express lanes is as a step toward a system that better meets users’ unique needs. A mother racing to take her child to a doctor’s appointment may decide it is worth paying to use an express lane. A plumber trying to fit in one last appointment in a busy day may be able to do so only by speeding past congestion, gladly paying the express lane’s charge. Other people (or the same people on a different occasion) would prefer to remain on the more congested regular roads. They would still have that option, but it is hoped that they would prefer to take public transport.

Two other important categories of user benefit from the presence of an express lane on a congested road: Buses gain access to a faster-moving lane, giving them a competitive advantage over car use on the back streets. In some cases, this time saving may be enough to make express buses or commuter-shuttle vans the mode of choice. And emergency vehicles also gain a less-congested path to their destinations.

Tunnel vision

If the quality of main roads is not sufficient to turn them into express lanes, and if it is impractical to build new roads above ground, digging beneath existing infrastructure should not automatically be written off. Opponents of city tunnels point to the much maligned “Big Dig” in Boston, a six-lane highway through the city centre, which has been beset by problems. The project has taken 13 years in construction, and at \$12.2 billion (£6.7 billion) is some way over budget, but it is vital for the mobility of central Boston, which is currently congested for eight hours a day. It has also created more than 150 acres of public parks and open space and is expected to lead to a drop in carbon monoxide of 12%. A more successful tunnel scheme that would be worth emulating is the Versailles tunnel in Paris, which has reduced costs dramatically by being designed for light vehicles only, meaning that two three-lane carriageways can be included in the tunnel, one on top of the other. The construction has taken four years and has been privately funded, with an electronic tolling mechanism helping to recoup the cost.

Other examples of successful urban tunnels can be found in Lyon and Brussels, while the Limehouse link in East London has drastically cut journey times along a hitherto excessively congested road. The cost of tunnel construction has been falling by about 4% each year and, at less than £50m per km, can be cheaper to construct than the cost of acquiring city land and moving utilities. Building urban tunnels is not a task that should be undertaken lightly, but it is definitely worth considering and experience around the world has shown that motorists would be prepared to pay towards the construction costs if they could see real benefits in terms of reduced journey times. Urban tunnels also tend to be safer and less polluting, and have a minimal aesthetic impact on the urban environment. It would allow streets “up top” to be reclaimed by communities and improve the attractiveness of urban living. It is something that should at least be considered by individual authorities, although it would be impractical to expect a network of road tunnels under all our cities. Instead, small scale tunnels under the most congested roads may bring financial reward in the long term.

²⁵⁵ New research on HOT lanes, Reason Public Policy Institute, August 2002

Streets for communities, not cars

If the main routes through inner cities are designated for traffic, **many of the inferior routes should be downgraded so that traffic has less of an impact.** This would improve safety, reduce pollution and open up communities. The recent work of Living Streets, an organisation that seeks to make residential streets people-friendly and encourage walking, is laudable. The group is not anti-car, but seeks a realignment of priority and culture in cities so that the car is an element of road use, rather than dominant.

In Amsterdam it is noticeable that slow-moving traffic, pedestrians and cyclists merge quite comfortably, partly because the law places the burden of responsibility in the event of accidents on the motorist, making them more aware of those with whom they share the roads. Another Dutch initiative that is catching on is Home Zones, which are traffic-calmed areas with an emphasis on creating space for the community. There are over 6,500 of these in the Netherlands²⁵⁶. Simply, they reduce the space for traffic, remove a lot of the clutter of street furniture and install benches and flower tubs to make it more pleasant for those who live there. Nine pilot schemes were launched in Britain in 1999 in inner city areas such as Manchester, Leeds, Nottingham and Lambeth and Ealing in London, with positive feedback from local communities. The government has awarded funding for a Home Zones Challenge Fund, and councils should be encouraged to apply for it and effect a change in transport culture in their community.

Car Clubs

An important means of transport for people from low-income households without cars is getting lifts from friends or relatives. These account for 13% of trips by people without a car in the lowest income quintile²⁵⁷, and are the most common form of transport for disabled people. The car club concept is being slow to take off in this country, but pilot schemes in places such as Tower Hamlets and Bristol have shown how they can be effective in cities. Essentially, members pay a fee to use one of a fleet of cars that are collectively owned, bringing them increased mobility for less cost.

In Bristol the club has 85 members who share six cars, paying an hourly rate for the time that they use the car. The cars are accessible 24 hours a day, and can be reserved over the telephone (or on the internet). All the cars are either small-engined or environmentally friendly vehicles and thus make less of an impact on the environment than perhaps the older vehicles that would have been used by private owners. The scheme has been funded by the city council with some EU support and would be well worth exploring for use in areas, such as inner cities, where car ownership is slim but the need to get around is high. The experience in Tower Hamlets was that people felt safer and did not mind the hourly fee, but felt put off by the monthly registration fee. Although there is a cost implication, it would be desirable therefore if fees could be reduced for job seekers or those on low incomes.

Insurance

Astonishingly, up to a third of drivers in inner city areas do not have any insurance²⁵⁸, compared with a still disturbingly high 5% nationally. Merseyside has the worst record, and inner-city Sheffield, Manchester and south London also have high rates of insurance dodging, according to the Motor Insurers' Bureau. In parts of inner city Manchester, for instance, one in four cars is driven without insurance. A big reason for this is cultural and the implications for road safety are serious; the typical uninsured driver is in his early 20s in an old car, exactly the sort most likely to have an accident. The cost of the Motor Insurers' Bureau having to pay out in the absence of an insurance company to claim against is estimated to add £15 to £30 to every motorist's policy.

The main reason why people shun insurance is because fines are still relatively low – £100 to £200 – while a typical fully comprehensive policy costs about £450. There are two ways to tackle this: to raise fines, or to find some way of reducing insurance. One solution would be to look at **pay-as-you-drive insurance**, which would encourage lower mileage while opening up car ownership to those on lower income. This model, which works on a “black box transponder” has been developed in parts of the United States, such as Oregon and Texas. The Norwich Union has started to trial the system in Britain. Their polling suggests that nine in ten motorists would prefer to pay car insurance in this way. It is too early to make firm recommendations on what should be done to encourage greater take up – but over time the attractions will probably speak for themselves as more insurers offer lower premiums.

²⁵⁶ Transport 2000 fact sheet

²⁵⁷ National Travel Survey

²⁵⁸ Analysis by Motor Insurers' Bureau, September 2003

Public Transport

Buses

If an inner city is redesigned along a grid system, and an express lane principle is introduced for keeping traffic on major routes to a minimum, then this gives rise to the possibility that a sensible express and local urban bus system could be an ideal form of short-distance travel. In operation, a decent bus service should run similarly to a rail-based system. Express buses would run up and down the major arteries on roads that are free of traffic. There would only be a few places where express buses would stop throughout the inner city, but local feeder buses would then service smaller roads. Ideally, no one should be more than five minutes walk from a feeder bus service and would only need to change buses once to get wherever they need to go.

If the express lane idea is introduced then it would be easy to keep traffic, and parked vehicles, away from express buses. But on the feeder routes it is necessary to ensure that there is a reasonable flow of traffic. On streets that are wide enough, bus lanes should be employed, but there must be proper monitoring of cars that use the bus lanes and stiff penalties on those that block the routes.

Buses are significantly slowed down when the driver also has to act as a cashier. One solution would be to bring back conductors. This would also improve safety on the top decks of buses. But this would cost about £200 million per year in London alone in additional staff costs. It would be better to **oblige passengers to buy a ticket before they get on the bus**. As is the case in many continental cities (and now happening in London), people would be able to buy tickets at local shops, bars and from machines by major bus stops. A ticket should be valid for both express and feeder bus services.

INFORMATION: Improved information is vital, so that bus shelters carry the sort of service information that Tube passengers take for granted. Many bus companies are starting to provide real-time information, using satellite technology, at some bus stops, and there is little technological reason why this should not be expanded. In multicultural areas different languages at bus stops should be considered. Lewisham in South London has set the lead on this, even making bus time information available on Braille or audio tape on demand. The Audit Commission has also recommended the wider distribution of leaflets about services to community centres, libraries and other public areas.

Spreading the message about services is as vital as providing them. In Western Australia a TravelSmart scheme began in 1997. Council workers visited and called houses in target areas, identified those who were receptive to altering their transport behaviour and offered tickets for trial on local buses or cycle training. This has now been piloted in Gloucester where car journeys were reduced by 9% and public transport use increased by a third.

SAFETY: Fear of crime while travelling can deter people from using public transport. People in deprived areas are about five times more likely than those in the least deprived to say they are concerned about levels of crime in their areas and safety at bus stops²⁵⁹. Security fears are particularly acute for women and older people. 44% of women and 19% of men feel unsafe waiting at a bus stop after dark. 18% say personal security will have to improve for them to use public transport more. A report from the National Association for the Care & Resettlement of Offenders (Nacro) entitled *Getting There: Reducing Crime on Public Transport*²⁶⁰ revealed that one in three people have been deterred from travelling through fear of robbery, physical attacks or vandalism. Nacro claimed that £250m is lost each year through vandalism, which gives rise to transport delays totalling 11,667 hours and increased passenger dissatisfaction. Unfortunately the Nacro analysis isn't broken down far enough to suggest whether the problem is more potent in inner cities, although the Social Exclusion Unit's analysis certainly revealed that a fear of crime in urban areas was discouraging people from using public transport.

Improving safety is vital – but it is also essential to improve people's perception of safety. In Manchester, a City Centre Safe scheme has focused on five city centre routes, where bus companies provide inspectors as loaders at bus stops, who are in contact with the police and officers on foot. More CCTV has been installed on vehicles and drivers are being trained in conflict management skills. People are also encouraged to walk along "safe transport corridors", which have improved lighting and regular police presence, to bus stops and taxi ranks.

FLEXIBILITY: It might also be possible to create more flexible services that respond directly to people's transport needs. If we follow the hopper bus model, people could be able to request the bus to

²⁵⁹ DfT Accessibility of local services and facilities 2002

²⁶⁰ Sunday Telegraph Aug 31 2003

divert, within reason, from its specified route outside of peak hours. This would greatly help the elderly and disabled. By looking at demand for this service, operators would also know better where to target future services.

In Gothenburg, Sweden, such a demand-responsive service has been introduced. Called Flexline, it collects residents who request the service from designated meeting spots, which are generously distributed so that at least 90% of residents live within 150 metres of a stop. Requests to be picked up should be called in at least 15 minutes before the bus is due to start its route, and 15 minutes before arriving at the meeting point it is confirmed through an automated call-back function. To protect the bus company against people who don't show up, they could insist on pre-paying via mobile phones or the internet; or, more relevant perhaps to inner city cities, simply insist that you register first. Computers plot the optimal route to collect passengers. Admittedly a 15-minute routing scheme could be ambitious to begin with in this country, but why not start with 24-hour notice and work from there, allowing people to arrange collection before appointments or weekly supermarket trips?

There is a stumbling block, however, because to register a bus service with the local Traffic Commissioner it is normally necessary to specify start and finish points and a core timetabled route. Also, deviations from a set route do not currently qualify for a Bus Services Operators' Grant. This requirement should be changed – operators could instead define an area of operation for flexible collection and detail their pre-booking arrangements.

Providing more public transport choice is costly, but there may be a way of making better use of existing vehicles. Each year £1 billion is spent by the public sector on revenue support for buses, while a further £900 million is spent on school, patient and social services transport. **Better co-ordination of these funding streams should be explored.** In 1999 a Best Value analysis of transport in Nottingham found social services vehicles were underused between 11:30am and 2:30pm, while at the same times the East Midlands Ambulance Service was under extreme pressure to provide services for non-emergency patients. Nottingham City Council entered into a contract with the ambulance service to lease some of its vehicles. This brought money savings for the ambulance service, and additional turnover for the council of £78,000 and increased recruitment of part-time drivers. The scheme has been so successful that Nottingham council has started doing out of hours work for the ambulance service in the evening. Other authorities should consider partnerships between transport providers and local authority transport to generate cost savings and improve choice.

Another source of increased choice is by encouraging NFPs to provide transport. Not-for-profit organisations operate many bus services that benefit deprived groups, such as the elderly and disabled, but they are restricted by the permits under which they can travel. Currently community transport can only be used by "specific groups", which has been taken to exclude the general public. It should be clarified so that "specific groups" could mean anyone within a set area without a car. In addition, community transport must currently be run on a not-for-profit basis – this has inhibited sponsorship arrangements so that, for example, supermarkets can't sponsor buses to run people to their store. Perhaps this could be amended – at the very least, a small income stream would allow charities to pay, and therefore more easily recruit, drivers.

Trams

Light rail schemes have become more popular in cities in recent years, and have been introduced (or are being introduced) in Croydon, Sheffield, Newcastle, Manchester, Bristol, Liverpool, Leeds, and Nottingham. Inner cities that don't have such a scheme should consider getting one.

The introduction of a tramway or light rail scheme into a city can improve the ambience, stimulate trade and take pressure off the roads. As an alternative to the bus policy above, it would be possible to install tram systems running down the main road arteries that have been vacated of traffic. Buses would still be the preferred means of providing a feeder service on local routes.

However, a big impediment would be the cost of installing a light rail system. It seems that every time a scheme is proposed, a new model and feasibility study has to be created, including a lengthy consultation and appeals phase. The impact of this can be to increase the costs of the project immensely. **It would be preferable if there were a standardised tram or light rail "model" that could be simply bolted in where needed.** After all, buses tend to come in the same shape and size, regardless of their manufacturer and location in which they are used; train carriages have to conform to the same rail gauge across the country. Sharing designs has huge cost savings. In the 1930s the streetcar operators in the USA came together to produce a standard design – as well as cutting costs, the standard and reliability of the cars

improved immensely too. In more recent times, Salt Lake City cut the costs for its tram scheme by using the same design that had been introduced in San Diego. In Britain, the Croydon Tramlink used designs that had already been drawn up for Cologne, but largely there has not been such a concerted attempt to share experience and expertise. Perhaps the government should introduce a competition for a British Standard tram design, which could then be bolted into any city.

Metro

A heavy-rail metro system is the best way to ensure mass movement of people in a major urban area, although it is restricted in this country to the sprawling London Tube. The Glasgow metro, which was introduced in the late 19th century, is a very small system which serves few convenient places to offer a viable option to buses and cars for most people. It is not really relevant in most cities, where the area is relatively small. An efficient network of buses that operate with a “metro mentality” would be more useful, as described above. What should be noted, however, is that where a larger urban area has a major metro or light rail infrastructure, the inner cities have too often been neglected. The lack of Tube services in Hackney or South London, for example, has increased isolation and deprivation.

School Transport

The school run can be a high source of congestion. At 8:50am nearly one in five cars in urban areas are taking children to school²⁶¹. Since the mid 1980s the percentage of children going to school by car has doubled, partly because more families have two working parents and partly because of parental fear of letting younger children out of their sight, in the light of several high-profile and tragic cases of child abduction. This must be reduced as a matter of urgency. In many inner city areas most children live within a feasible walk of their school and should be encouraged to do so, not just to free up the streets but to give them vital exercise and allow them to become more confident. However, there needs to be some form of shepherding, to ensure the children’s safety, but more importantly to make sure they actually arrive at school.

Safe routes to schools initiatives are catching on slowly, but local authorities should examine more ways of encouraging parents to let their children walk to school. Safer crossing places, slowing down traffic and giving more space to pedestrians and bicycles would all help. It may also be feasible to run ‘**virtual buses**’, whereby children are walked, escorted by parents, teachers or qualified childcare assistants, to school on specific routes, picking up more children as they go. Not only would it ensure they actually reached school but it would improve fitness and get a lot of chatter out of them before they arrive. Perhaps schools could encourage parents to take part by giving them breakfast when they arrive? These virtual buses do already appear in small areas, such as parts of Norfolk.

For wider catchment areas, **local authorities should investigate the feasibility of a school minibus system** that runs up and down the major roads and round the estates collecting children from designated, monitored, pick-up points. The Sutton Trust, which was set up to help non-privileged children, has done some interesting research into the cost of introducing US-style Yellow Buses to take children to and from school. Work by the Boston Consulting Group for the trust found that the cost of providing such a scheme nationally for primary children would come to £184m per annum, although a third of that would come from existing travel subsidies. If families contributed just 50p towards the daily costs the total new subsidy needed would be £83m. But the benefits to society of cutting the school run were estimated at £350m a year in terms of lower vehicle costs and time savings and another £100m because of safer roads and improvements to the environment. More than half of children in the US use school buses – it is well worth exploring the feasibility of effecting such a culture change here.

Elected Transport Official

Transport is an issue that concerns everyone and has more of a resonance locally than many policy areas, and yet it is often left as the bridesmaid when it comes to policy making. People currently have very little say over transport policy decisions and scarce means of checking performance. Consideration should therefore be given to allowing people a stronger say on transport issues by **electing a Transport Commissioner**, as is the practice in many American and Asian cities. Each city should be free to decide first whether it wants a transport commissioner, as they currently can for having a mayor, and then to elect a commissioner for a similar term to the mayor. Although the commissioner would not necessarily be of the same party as the mayor, he would obviously need to liaise closely with the mayor’s office. As

²⁶¹ Transport 2000

an example of how transport policy can work independently of party political relations, however, it should be noted that the only member of President George W Bush's cabinet who is a Democrat is the transport secretary, Norman Mineta.

Among the commissioner's responsibilities should be the power to determine how to raise money to invest in the roads and public transport network, how to ratify performance targets for operating units and staff and a duty to present the success or failure of these targets to the electorate. A wide-ranging audit should be conducted at the start of a term of office and prior to seeking re-election, so that taxpayers can see whether they have received value for money. The commissioner should also have the duty to ensure that greener forms of transport are encouraged in urban centres. It should be noted, however, that inner cities would be too small to have their own directly elected official. But if an urban area votes for a mayor and a transport commissioner then it should be part of his duty to ensure that he meets regularly with inner city civic leaders to discuss the transport needs of their area.

If we are to be adventurous, it may also be possible to put specific transport proposals to the vote. If the transport commissioner is determined to cut the amount of traffic in his jurisdiction, he should perhaps put his methods and aims before the electorate, to improve their understanding of the issue and to win backing for his proposals.

Implementation Requirements

Many of the ideas contained within this document are simple, easy to introduce and a case of pure common sense. There is little reason, beyond political will, why cycling and walking should not be encouraged, or why the issue of the school run should not be addressed with simple measures like virtual buses. Some of the recommendations for improving safety and comfort on public transport should be brought in straightaway. There is a strong argument for creating a British Standard for tram and light rail design, to simplify and reduce the cost of introducing new schemes.

In some important areas, however, we accept that these proposals will be undeliverable. Politicians are unlikely to show the courage needed to tackle the major problem of traffic congestion. We only have to look at the way in which government ministers have attempted to disown the congestion charge, for fear that it may backfire on them at the polls.

But this is a problem that has to be addressed at some point. We do not propose a massive demolition and rebuilding of city centres, attractive though that may be. But we do need a radical approach to clearing major thoroughfares so that mass public transport schemes can be introduced, while still retaining the important elements of choice and freedom of movement, and so that areas of the cities can be given back to the people who live there.

By bringing in elected transport commissioners, who would take power and decision making away from central government and put it in the hands of citizens, we would be taking a huge step towards seeing our inner cities act for themselves. I doubt that any political party will have the courage to take the step towards giving power to the people and taking it away from the bureaucrats, but if there is one party that has demonstrated bravery and innovation and encouraged democracy and freedom of choice in the past, it is the Conservative one.

Going Green

The importance of encouraging cycling and walking as an environmentally friendly, and healthy, alternative for journeys of less than a few miles (and therefore perfect within most cities) has been recognised across Europe, but has still not yet caught on in Britain, despite the relative flatness of terrain and a road safety record that is better than any other European country.

Measures should be brought in to make cycling and walking more attractive. This would include finding ways to **physically separate cyclists from traffic** on the busiest roads and bringing in more pedestrianised areas. Cycle ways could be integrated into roadways with separate traffic lights for cycles and cars, as in Amsterdam. Bicycles should also be available to rent more easily at train stations in "train and ride" schemes.

It's no use trying to promote cycling without making available facilities for safe parking of bicycles. There must be more safe cycle parking facilities at public transport stations, shopping areas, libraries, schools and places of work. Employers should be encouraged to provide shower facilities, and places where employees can get changed if they cycle in to work. Children should also learn about safe, on-road cycling at the earliest opportunity. Schools should be encouraged to provide cycling proficiency lessons.

A very small minority of cyclists refuse to obey basic traffic signals and rules. They ride on pavements and terrify pedestrians. A code of conduct should be drawn up locally to tackle this anti-social minority who give responsible cyclists a bad name. An **on-the-spot fine for people who cycle on pavements, go through red lights or intimidate pedestrians** should be considered.

To encourage more people to walk, measures should be taken to improve safety and security. These would include improved street lighting, better maintained pavements and more street police presence. In the gradual redesign of inner cities, attention should be given to providing more parks and pedestrianised areas, and gradually redesigning road layout so that cars are just one component, and not a dominant one, of our streets.

Motorcycling is also part of the greener solution to tackling congestion, but many are dissuaded from buying a motorcycle or moped because they fear that they are at risk from other traffic. Motorcyclists should be allowed to use bus lanes and the proposed HOT lanes free of charge. There should be more on-street parking provided for motorcyclists as well, and they should be exempt from any workplace parking charge. The Treasury should examine a scheme of tax relief for mopeds and motorcycles to encourage this form of transport.

It may also be sensible to lease mopeds and bicycles at a discount rate to those seeking work or who are on low incomes. The Wheels to Work scheme, operating in Warwickshire and elsewhere, is open to 16-25 year olds who have a start date for full-time training, education or employment. For £2.50 a week they are lent a moped, protective gear and a lock, and given training. They are given personal reviews every three months and are encouraged to save towards their own vehicle.

A Revolution in Devolution

In the areas of greatest deprivation, government faces its greatest challenge. It needs to operate at its best. But it does not. Local government forms a vital role in any discussion about cities in general, and inner cities in particular. There needs to be a means to help catalyse improvement in the inner city areas and which gives those that live there a greater voice in the decisions which count.

Background & Analysis

The experience of, for example, the police (see the chapter *Safe Streets*) shows that there are tremendous resource pressures placed on the public sector in the inner cities, beyond those in other areas. Frequently the public sector is overwhelmed by the scale and complexity of the problems that it faces, and is often simply not quick enough to cope with the pace with which problems change.

We believe that the operation of the public sector in inner cities is worse than this. The nature of the problem is not one that is just solved by giving more resource at the margin and all will be well. Inner city government is often not equipped to deal with the strains that it faces. There are many examples of government in inner cities struggling to recruit and retain high quality personnel and the Climbié enquiry, for example, demonstrates not only that government is being overwhelmed; but also the quality of what is done is – in many instances – unsatisfactory. A quote from the government’s Social Services Inspectorate most recent report on ‘Improving older people’s services’ illustrates some of the key points we are making in a microcosm:

“Care management and assessment

Despite the best efforts of committed staff, we continued to find care management systems that were too cumbersome, repetitive and bureaucratic.

Services to promote independence

We were encouraged that councils increasingly recognised that a broad range of services and partnerships are needed to maximise independence for older people. There were still some significant gaps in specialist service provision for older people with mental health difficulties, those with a visual or other sensory impairment, and older people from black and minority ethnic groups.”²⁶²

In other words, provision was not flexible enough to meet the needs of local people, despite the willingness of the staff operating the services.

There is a need for change. The current situation is a combination of poor on the ground performance of much of the public sector combined with perennial initiatives coming from central government. Solving this problem by replacing one top down centralised solution with another is not likely to be the best answer; nor is a simple solution of letting the market loose. This works well enough for those able to provide for themselves, but does nothing for the young, the old, the ill, the heavily indebted i.e. those restrained from or unable to seek solutions to their problems.

We believe that there is a need to address the operation of government in the inner cities. We need to figure out how to fund it, how it should be structured, how to improve participation of the inhabitants both financially and in terms of their support, and what the implications of the recommendations we make are.

In this paper a consistent theme has been about moving the location of decision-making closer to the user of public services, whether this be through the operation of charter schools or through a broader range of new elected positions. This has implications for the size and shape of government as applied to inner cities. This chapter will discuss the implications of what we envisage and test the broader assumptions that we are making, before making a series of recommendations.

Our key recommendations drawing together the implications of the rest of the paper are:

- Improve the accessibility of inner city local government to local residents
- Engage more residents through changes in the voting processes of the local government
- Radically alter the structure of raising funds for local government

²⁶² <http://www.doh.gov.uk/ssi/olderpeople03.htm>

- Move provision of as many local government services to the not for profit sector or private sector, depending on service, as possible;
- Develop a contract-monitoring capability within local government;
- Encourage greater distribution of data about the performance of the contracts;

We also propose some new intermediaries to help with this process.

The overriding problems of local government - accountability and lack of independence - are issues across the country. These issues are particularly relevant in the inner cities where the problems faced by local government are the greatest and yet where accountability to the electorate is weakest and central control most restrictive.

We do not believe that central government should have so strong a role in local government affairs. Our basis of our governing is localisation of power and encouragement of political responsibility at the local level.

We want to follow the idea of “public choice”. Public choice economists think of people as “consumers of government”, put the individual at the centre of the picture with people choosing governmental arrangements and services that they want. This has four advantages:

- Different types of service can be applied to different groups of people, e.g. minor roads benefit local residents, while large highways are used by a wider population
- Smaller units of service delivery make lines of accountability more visible; smaller electorates facing a limited number of issues may help elections to focus on specific issues affecting particular services.
- Self-regulation and free voluntary association are made easier; the use of “neighbourhood watch” schemes, residency associations, school runs organised by parents etc. encourages more civic participation and is often less costly than a centralised alternative
- It can provide services that have no economies of scale. For example, a neighbourhood foot patrol by police can be provided less expensively by a small sale supplier or even a security firm than more technically complex police services²⁶³.

Local government expenditure now accounts for less than a quarter of total government expenditure. Comparisons with the Victorian era of vital city government in Birmingham, Manchester and elsewhere remind us that if we are serious about revitalising local government, we almost certainly have to allow local authorities more freedom. More power to manage more of their own affairs gives local authorities more respect and significance, which in turn can make local communities and individuals feel more in charge of their own destinies.

Local Democracy in Inner Cities is failing

Local democracy in the inner cities has ceased to function effectively.

Polls in the past few years have suggested that 91% of the population is not satisfied with the quality of services provided by local authorities²⁶⁴ and 59% of the population believes that their local council does not provide value for money.²⁶⁵ Customer satisfaction with local authorities ranks lower than any other agency in the public or private sector.²⁶⁶ We have not been able to ascertain the level of public support for the local authorities specifically in the deprived inner cities, but local government in the inner cities tends to be less effective than local government in the rest of the country. Inner city boroughs dominate the list of councils who have been given the lowest-grade Comprehensive Performance Assessment by the Audit Commission.²⁶⁷

Yet in spite of these perceived poor services, local electorates are not using local elections to obtain improvements. Turnout at the local elections in 2002 was only 35%, significantly lower than the record low turnout at the general election in 2001. This is true for the country at large but is even truer in the inner cities. Turnout dropped as low as 17.6% in the Moorside ward of Newcastle in the council elections

²⁶³ This avoids the problem of having policemen who should be tackling serious crime wasting public time and money on relatively minor incidents.

²⁶⁴ MORI, October 1998

²⁶⁵ MORI, May 2000

²⁶⁶ Abigail Melville, *The Guardian*, 11 January 2002

²⁶⁷ Audit Commission website, February 2004

of 2002²⁶⁸ and fewer than one in four of the electorate turned out to vote in inner city wards from Liverpool to London in the most recent round of council elections.

Lower inner city turnout can in part be explained by the disenchantment and disengagement from society of many inner city residents. It is reinforced by the sentiment that there is not much point in voting. At present, the powers of local government to effect change in the inner cities are limited. The reasons most often given by members of the electorate for not voting in local elections are along the lines of: 'I don't believe that it will make a difference to local taxes and services' or 'local councils have no real control over their budgets, so I don't see the point in voting in local elections'.²⁶⁹

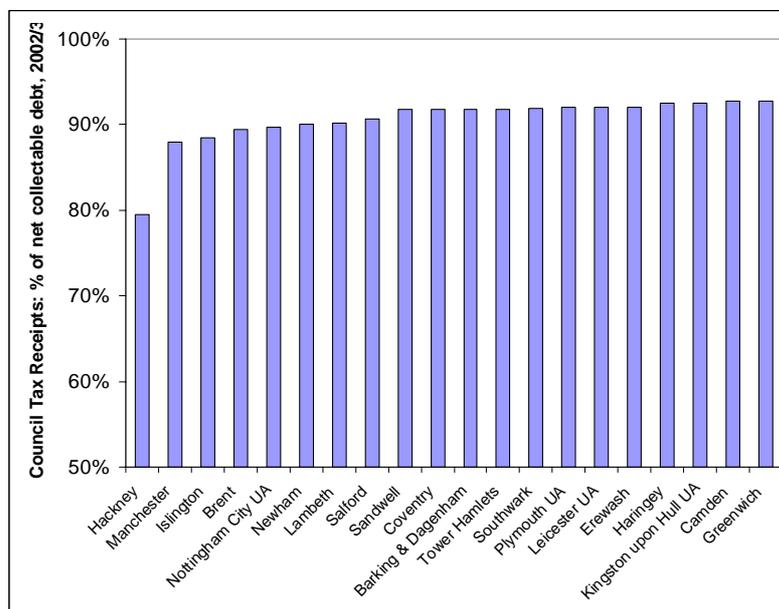
A further factor that reduces interest in inner city politics is the prevalence of one-party politics in many inner city areas (see the chapter *From No-Go Zones to Go Zones*). In some inner city boroughs the Labour party holds almost every seat. The lack of accountability in inner city government is enhanced by the existence of these 'one party states' as the governing party can easily take on the complacency of a monopolist and (in the worst cases) lead to disregard of the public interest, notably in Doncaster in 1997 and Rotherham in 1999. Particularly where there is a one party environment, the incumbents can be hamstrung by the activities of their party predecessors.

The removal of the key electoral check on local politicians means that they are less likely to be held to account for failing to provide satisfactory local services.

The impact that a change of ruling party can have is clear to see in councils such as Southwark where there was a move from Labour to Liberal Democrat after many years in 2002. The district auditor praised Southwark for its "significant progress" over the past year²⁷⁰ and whilst we might disagree with the specifics of what the Liberal Democrats have done, there is little doubt that the council is being transformed as a product of the change of party.

This problem of residents not caring is reinforced by the number of people with no financial incentive to care about the outcome of local government performance. Currently, 4.6m households nationwide pay reduced council tax because they receive council tax benefit, which subsidises up to 100% of their council tax costs.²⁷¹ A significant further proportion then pays a reduced rate, as the back of the council tax bill will often tell you, further weakening the connection between the council tax and those that are affected by the local authorities. In the inner cities, these proportions of discounted / zero rated people are highest of all, reflecting higher levels of poverty.

Of the reduced number of people in inner cities meant to be paying the tax, a further proportion fail to pay anything. A review of the worst 20 councils for actually collecting the monies owed to them shows that the situation is worse than might gleaned from the previous paragraph. In the worst case, 20% of taxes due were not collected in 2002/3, and the most frequent culprits of high non-collection are inner city or urban locations²⁷².



²⁶⁸ Newcastle City Council Election Results

²⁶⁹ MORI, February 1997

²⁷⁰ <http://www.southwark.gov.uk/Public/NewsArticle.aspx?articleId=5932>, relates to letter sent to Southwark by District Auditor on Jan 30, 2004

²⁷¹ June 2002. Source: <http://www.dwp.gov.uk/mediacentre/pressreleases/2002/sep/asd1909-hbctbqs.asp>

²⁷² See <http://www.odpm.gov.uk/pns/pnattach/20030122/3.xls>

Greater Accountability

Our strategy for improving public services is based on reforming the institutions that provide those services. Reform is most necessary in the structure of local government as it is through government that dissatisfaction with government services should be expressed.

There are two key areas in which the present system of local government falls short:

- how local power is exercised
- the way in which local government is financed.

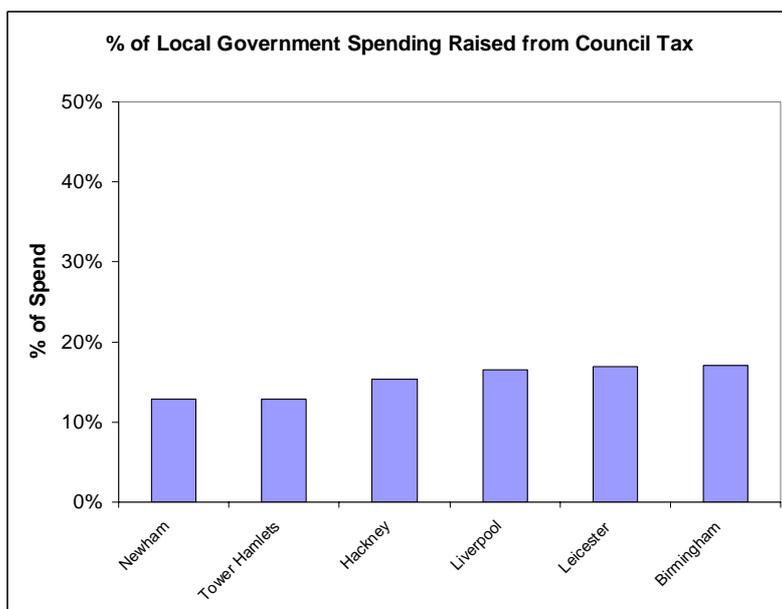
How Local Power is exercised

Turnout at local elections is low, especially in inner city areas. Those who vote are more political die-hards. The large number of councillors in each borough also places the emphasis in elections on organisation rather than on issues and strengthens the grip of parties.

There are a large number of councillors in each borough in part because of the current electoral system by which several councillors are elected for one ward. Larger wards, introduced in the 1970's, make it harder for candidates without a party organisation to get elected²⁷³. Multi-member wards also reduce accountability as voters cannot tell exactly who they should go to for help or who is responsible for a particular problem. At the same time, councillors have to work harder than ever before²⁷⁴ and a reduction in councillor numbers would further hinder their ability to control and direct the activities of council bureaucrats.

Business Representation

Increasing the number of entrepreneurs and businesses in general in inner city areas is key to their regeneration. Yet businesses have no direct representation in local government. This lack of representation encouraged some councils in the 1970s and 1980s to raise revenue by hitting businesses with high business rates, as the extra tax did not impact directly on the electorate. Such policies were one of the causes of the nationalisation of business rates in 1990. Although businesses may no longer be exposed to exploitation as in the past, their lack of representation means that their ability to influence the area for the better is limited.



Finance

In contrast to the principle set out above, the current system of local government financing restricts local autonomy and leads to a lack of accountability in local government. Furthermore, it is complicated and little understood by the public. A fundamental weakness of local government is that it raises less than a quarter of its revenue through local council tax, a proportion that is even lower for inner-city boroughs.²⁷⁵

²⁷³ BBC Website, 30 April 2003

²⁷⁴ Average hours spent on council business per councillor increased by 70% from 1967 to 1997 - Reviving Local Democracy: New Labour, New Politics? p.36, Nirmala Rao (2000)

²⁷⁵ All figures quoted on local government funding and spending are derived from the figures for financial year 2001-2, as quoted on the DTLR website.

In contrast, the most affluent boroughs raise over 40% of their revenue through local taxation.

It is useful to briefly outline the sources of local authority income and the constraints on expenditure, as we believe that this has a particularly negative impact on the inner cities.

Local government revenue funding comes from three main sources:

- Council Tax
- Business Rates - Since 1990 the rates have been set nationally by central government²⁷⁶.
- Revenue Support Grant - This is paid out of general taxation and is distributed among all local authorities on a needs basis.

To determine how much support each local authority requires, central government applies the standard spending assessment (SSA). The SSA takes into account a number of different measures of the needs of each local authority, including population, wealth, number of children of school age, road mileage to maintain and sparsity of population. A recent trend is for more subjective measures to be included in the SSA, rewarding councils for adhering to government initiatives. The 2000 Green Paper on Local Government Finance and the White Paper that followed in 2001 endorsed this trend.²⁷⁷ This has a particular impact on capital projects.

The key factor in determining whether a capital project goes ahead or not is whether it attracts government backing, not if local people support it or if the local council promotes it. This means that, if a popular project is not implemented, it is not obvious who is responsible for the failure.

Central government has the power to restrict local authority borrowing, even when it is funded from local authorities' own resources. Central government considers a variety of factors in determining whether or not to support a capital project. Where these factors do not simply cover the financial strength of the local authority, they introduce subjective elements and so inhibit local planning and budgeting, as approval of a project cannot be predicted with any certainty.

These issues matter because cumulatively they distance the residents of many inner city areas significantly further from their local government than conventional residents, and there are solutions available which the rest of the country might not (so easily) be able to apply. Given the complexity of the system, for those few that go to the ballot box, it is hard to see how a voter in a local election can assess the value for money, which the council is providing, and so make a good choice at the ballot box. For many there is no connection as they pay nothing at all, and do not vote to influence the services that they do receive through the council.

Furthermore, the ability of local electors to vote for a change of direction is limited as the money which the council has to spend is largely determined by and funded by central government, or the council is so overwhelmingly one party, that the vote is not going to have an impact. This reduces the desire to go out and vote if, in all likelihood, the vote will have no prospective of contributing to the majority of someone who can actually make a difference.

This problem is most extreme in the inner cities and we have to break this vicious circle.

Recent Government Reforms:

The Local Government Act of 2000 was intended to change the way all councils worked. The former committee system was swept away and borough councils such as those responsible for urban, inner city areas, were given a choice between three models to replace it: a directly elected mayor and advisory cabinet; a directly elected mayor and a professional council manager; a council leader and executive cabinet.

Out of the thirty councils to have held referenda to the end of 2002, an elected mayor was approved in only eleven (including the inner city borough of Hackney and Newham in London). Turnouts in the referenda were very low, falling to 9% in some boroughs.

Mayoral elections have so far failed to attract much more interest than elections to councils. Turnout in mayoral elections remained in the low-thirty percentiles. Even in the high profile election for the Mayor

²⁷⁶The proceeds from business rates are paid into a national pool and distributed amongst the local authorities on the basis of population.

²⁷⁷'Strong Local Leadership – Quality Public Services' White Paper on Local Government Finance (2001), and 'Modernising Local Government Finance' Green Paper (2000), p.16

of London, turnout was only 33%. A feature of mayoral elections was the success of independents with four of the eleven mayors elected by December 2002 not belonging to a political party.

A number of changes to methods of voting were tried in the local elections of 2002 and 2003. The most successful of these was comprehensive postal voting which resulted in increased turnout in a small number of councils. This success probably justifies extended trials, although concerns over electoral fraud will have to be allayed. Nevertheless, as the increase in turnout was not universal and turnout remained below that in the previous year's general election, it would appear that low turnout in local elections reflects deeper problems with local democracy than simply ease of access to the polling station.

Something more drastic needs to be done.

Policy Proposals

Over the last few years, broad support has been emerging about local government on both the left and the right of the political spectrum. More people are beginning to realise that if we want to have more effective local government in inner cities we should trust local authorities by giving them more independence. Some reforms below could be applicable across the country as a whole. However, as discussed above, their potential impact would be greatest in inner city areas where the problems of local governance are the most pressing.

How local government should be elected

Involving business

To work effectively, local government needs to be an alliance of the different interest groups within the local community. Given the contribution that businesses can make to the local community, some form of overt business representation should be introduced:

- 10% of votes in the elections for the police and transport commissioners should be reserved for businesses representation.

The business vote in national elections was abolished under the 1945 parliament as it was seen as undermining the concept of 'one man one vote'. However we would not propose that a business franchise allow individuals to vote more than once in the same election. Rather, we want to give commercial interests a distinct voice in two areas that they help to fund. We are not proposing to give them the full vote for the local authority, as this seems to be unreasonable.

The method by which people would qualify for the business franchise would be based on the recently revised voting procedures for elections within the City of London. Qualifying businesses would be identified by the payment of business rates on a property within the borough. This would avoid gerrymandering through the setting up of numerous 'shell' companies. Companies with less than ten employees (the great majority of inner-city businesses) would be entitled to appoint one voter to represent them, while businesses with between 10 and 50 employees could appoint one voter for every ten and those with a workforce of over 50 would be eligible to appoint five voters plus one additional voter for every 50 employees over the initial 50. Voters would have to have worked for the organisation for at least a year and would be appointed by company management by whatever means management chose, although as most inner city businesses would have less than ten employees this should not be a complicated procedure as each business would only have one vote. Like residential voters, business voters would have to register annually or when they became eligible to receive representation. We accept that there may be other ways of doing this and we are open to mechanisms to improve this proposal solution.

Prioritising Local Issues

To make local elections true tests of local opinion, to increase accountability and to encourage independents to stand:

- create smaller, single-member wards;

The range of issues on which a local referendum can be called in 5% of the local population call for one should be widened. Referenda on more immediate local issues would be likely to generate greater public

interest than the somewhat abstract questions of the structure of local democracy on which local referenda have been held to date.

Make it easier to vote

Although we recognise that it is not ideal, we want to encourage more postal voting in inner cities and introduce portable voting booths, akin to mobile libraries, to encourage and enable people to vote who might not otherwise make it to the polling stations. It may even make sense to extend the period of voting in local elections to more than one day, if this could be shown to materially improve the level of participation.

Enhancing 'civic' society

We do not think that voting should be linked to benefit levels or that voting should be made obligatory but effective local democracy struggles to work without good education. 'Civics', the knowledge of institutions and how they work and affect our lives, need to be taught in our inner city schools and it may be worth exploring provision to those in receipt of social service of some sort. This is already done and so our emphasis needs to be to focus this teaching on encouraging participation in the locality and the institutions of the locality. The change in the structure of the inner city government which we are proposing will necessitate much communication about the specifics of the changes, and therefore this 'Civics' learning will need to be orientated to the specific local form that our changes take.

Honoured by...

We would also like to see local authorities award borough or county prizes for civic participation, 'Honoured by Sheffield', given to those who have consistently contributed to the improvement of Sheffield for example. The title may be set locally but it should entitle recipients to 'put letters after their name', which are consistent and nationally recognised.

Autonomy to tax

However local power is exercised, little effective change will be made unless greater powers are devolved to the localities. Following the recommendations of other chapters, if some local authority powers and services were franchised out to other bodies and funded centrally, the gap between local authority spending and council tax receipts would narrow. The decline would be especially marked if education was removed from council control, education comprising 39% of local government spending in 2003/4.²⁷⁸

This is not enough. More financial independence must be granted to local government if it is to succeed. This certainly means greater autonomy to borrow money. Realistically, most inner-city boroughs, being the most reliant on central support, will not be self-financing even if they lost their responsibility for education.

We would not envisage giving local authorities the powers to raise completely new taxes. Instead the model employed would be based on that of the Scottish parliament, which currently has the power (although never exercised) to raise or lower the rate of income tax by up to three percent from the UK-wide rate. A proportion of the tax selected for 'localisation' would be allocated to the local authority, which would have the power to raise or lower this share as it saw fit. Local taxation would thus directly replace part of the national taxation.

No system of localised taxation would be a perfect fit for every local authority. Although a localised income tax would be progressive and relatively easy to administer, in inner city areas it would have the disadvantage that relatively fewer inner city residents pay income tax and consequently its localisation would do less to give inner city boroughs more fiscal autonomy. Conversely, the localisation of VAT, or at least the replacement of VAT on sales to the final consumer with a distinct localised 'sales tax' would impact on all inner city residents as consumers. This would give residents a greater interest in local politics but at the same time the localisation of such a regressive tax would place a greater strain on less affluent areas required to fend for themselves. The administration of a localized sales tax would also probably be more complicated.

We would therefore not prescribe a uniform tax to be localised but instead allow each local authority to alter either the localised proportion of income and/or sales tax as they judged fit for their local circumstances.

Stamp duty and business rates would additionally be localised, as discussed elsewhere in this paper.

²⁷⁸ Local Government Finance Facts, Office of the Deputy Prime Minister (2003).

We recognise that this will not make the inner cities self funding. With all of these taxes, be it stamp duty, income tax, sales tax or otherwise, the inner city areas we are concerned with are simply less affluent and have greater need than the rest of the UK. On that basis, there will never be perfect accountability, but a combination of taxes which neutralises the regressive aspects of the sales tax, recognises that many people in inner cities do not pay income tax and so on, is likely to catch all of the inhabitants in some way.

We would also give local authorities complete autonomy to borrow and fund their borrowings in the bond markets. Given greater freedom to tax, it is quite possible for local councils to optimise their borrowings and the flexibility of their proposed tax options should reduce the likelihood of default.

We recognise that this may open the discussion on the funding of all local authorities, but it does not reduce the need for inner cities to determine as much of their own funding procedure for the needs that they fund locally as possible.

Objective Funding for Local Authorities

Given the complexity of their requirement and the complexity of their spending needs, the SSA is a hugely complex calculation for many inner cities. It is also prone to bias in its allocation. Simpler calculation would benefit the inner cities, but this has implications for the whole funding of local government (which we do not wish to cover here). We would certainly like to at least see consistency of the calculation of monies due to local authorities across the inner cities.

Financial Transparency

A form of transparency as to where exactly tax pounds in local government are being spent is desirable in local government. To promote more transparency we propose that local authorities should be required by law to publish tables and graphical illustrations (in prescribed formats) of their spending allocation in local papers, compared to the UK average and compared to more refined and comprehensive version of the BGIC 250.

Implementation Requirements

Our proposals that pose the greatest implementation challenges are:

- setting up a system of localised taxation; and
- allowing local authorities to raise funds in the capital markets.

Administration of a Local Income tax

Local authorities would only have the power to alter the basic rate of income tax, within the thresholds laid down by central government. This would simplify the calculation of revenue support grant (see below) and avoid penalising those on very low incomes by leaving intact the tax-free personal allowance and the starting rate of income tax. Conversely, leaving the higher rate band under the control of central government would ensure that local taxation would remain broad-based and that councils could not simply 'soak the rich' to fund their spending. Allowing local authorities only to vary the basic rate within preset thresholds also makes differences in rates between localities more apparent and reduces the scope for local 'stealth taxes'.

The new income tax system would not require any great additional administration. All taxpayers currently have to submit their national insurance (NI) number with their tax return or through PAYE. Councils would have to collect the NI number of their residents when they moved to the area or (initially) when the council tax bills for the first year of operation of the scheme were sent out. The NI numbers could then be matched in a central database and the resulting income information assigned to the residents of each local authority.²⁷⁹ As the local income tax would be charged at a flat rate above a low base, the tax due could be calculated easily for each council and the bills sent out from a central location.

²⁷⁹ Central administration would simplify administration and reduce costs. Data would also have to be fed in from different locations where people lived and worked in different Local authority areas.

Revenue Support Grant

In determining the level of central top-up due to each local authority, the 'expected income' of each council (had local taxes been levied at the national average rate) would have to take account of local income and sales taxes, rather than simply council tax as at present. This 'expected income' would then be deducted from the SSA of the local authority to give the level of central support due, as at present. As the local income tax bills would be calculated centrally, this should require little additional administration.

Raising Capital Finance

Raising capital finance on the open markets would be a new experience for many inner city local authorities. However many smaller local entities, such as local school and utility boards hold credit ratings and raise finance successfully in other countries, notably in the USA. Ratings agencies already exist in the UK with the capacity to rate local bond issues and a number of local authorities are already credit rated e.g. Kensington and Chelsea. If it can be done elsewhere, we see no good reason stopping it in the UK.

Reforming the institutions - background

Just changing some of the ways that the residents vote and the financing of local authorities is not enough. We do not believe that the previous recommendations will necessarily improve service delivery and more fully engage a population whose first thoughts are not how to engage with the political or operational side of local government unless they absolutely have to.

We have to change the way local government works.

The inner cities are areas of great disadvantage. As the other chapters have covered, crime, social issues, housing quality and demographics all disfavour the inner cities. In this circumstance, the pressure on local and centrally provided public services is greater, whether this is the police dealing with more violent crime or schools in Southwark having to deal with pupils having over 100 languages as their first language.²⁸⁰

This means that in many inner city locations, public sector organisations are the largest individual employers and collectively they are the principal source of jobs in their area. The largest single employer of people in Doncaster, is the council.²⁸¹ As with many other councils, Doncaster employs thousands of employees in departments²⁸² covering the Chief Executive, Borough Strategy, Corporate Services, Education and Culture, Neighbourhood Services and Social Services.

Whilst the council may be the main employer, the problems of many inner city areas remain and in most areas continue to fester. The collective recommendations of this paper are aiming to change the relationship of the public sector with the public. Whilst local authorities, central government and health authorities will remain critical economic forces, their direct operation of many of the elements of the locality will stop. To reiterate examples of the change proposed in this paper, we envisage:

- charter schools being directed principally by the parents, and the role of the local education authority disappearing (see the chapter *The Future Starts Here: School*);
- social services being passed onto not-for-profit sector organisations / trusts to operate as they see fit subject to performance criteria (see below);
- all public sector housing moving out to housing trusts or other bodies (see the chapter *The Place to Live*);
- transport being co-ordinated through elected transport commissioners and mostly implemented through private sector contractors (see the chapter *Getting Around*);
- council back offices being privatised as there is no need for councils to operate finance, HR and revenue collection themselves (see below);
- Community Based Development Organisations (CBDOs) taking responsibility for economic development projects and micro-projects (see below);

²⁸⁰ www.southwark.gov.uk

²⁸¹ See www.doncaster.gov.uk

²⁸² over 8,000 in 2001/2 in directorates - <http://www.doncaster.gov.uk/about/categories.asp?WSCAT=AboutCouncil%2BDepts>

- significant reduction in the development of large-scale projects if operated and driven via regional or central government organisations (see below).

Together, this means that local authorities in the inner cities will still receive significant funds and they will retain their economic influence in the situations envisaged by this paper but the councils are not going to be the provider of these services and hence will not be the main employer. Whether the route is through Charter schools, or not-for-profits operating the elements of social services, the services provided by the council will be operated by third parties.

In a haphazard way this has started to happen. The operation of back offices in councils such as Middlesbrough,²⁸³ has moved to a private sector organisation that have received transfers of thousands of employees. Similarly, councils such Southwark have outsourced the operation of pensions, exchequer services through to operation of their schools²⁸⁴ but the implications of this paper are that in the inner cities it should go considerably further.

Policy Proposals – What do we envisage?

We are proposing that local and central government in inner cities will move away from being a direct employer to being a funder. This will change the local authority. It is beyond the remit of this paper to argue that the same principles should be applied to the country at large. For the inner cities at least we are arguing that the substantial change is required because of the consistent pattern of failure and because the need is greatest. From the point of practicalities, it will be considerably easier for the private and not-for-profit sectors to take up the burden if it is only the inner cities that change at the start.

What will be left at the centre

We believe that the authority will retain its role as principal political institution, providing politicians who help and listen to the local residents. This means that there still need to be local authority employees providing support to the councillors and the executive board of the council and helping to develop policy. In many types of council this would be akin to an enhanced chief executive's department.

The authority will become a contractor, paying for others to implement its needs. This will be implemented through the use of short, medium and long-term contracts. In turn, this determines the requirement to set up contracts and on an ongoing basis manage them. A key aspect of the new structures that we envisage for the councils must be sufficient resource to review these contracts. The quantum of resource should amount to approximately two to three percent of the expenditure on such contracts.²⁸⁵ It is not necessary that all of the contract monitoring needs to be done by council employees. Some of the monitoring can be outsourced to experts under strict service level agreements.

In overview, therefore, we seek a mainly strategic role for the employees in the council, ensuring a minimum of standards is achieved and supporting the political and senior executives. There will be less involvement for politicians and civil servants in the day-to-day operation of local authority activity, as many of those services will be provided by other entities.

We propose that everything else undertaken by the council is handled by contracting with third parties under strict contract monitoring. The operations must be taken up by the private sector e.g. for tax collection, and the third sector for areas such as social care. This probably means a council is no more than 100-200 people strong.

Authorities of 100 – 200 people will have a different feel to them. Part of the organisation will need to select and monitor the operation of the contracts and ensure that the legal obligations of the council are being met. They must develop skills particularly around negotiation and avoiding the situation where the contractor seeks to wriggle out of its contractual commitments once a contract has been signed. Operationally, an inner city council will become a body commissioning and managing contracts to turn the will of the elected politicians into a reality.

One of the consequences of our changes is bound to have an impact on the political climate within the inner cities. Part of our plan is to bring more powers to a local level and to democratise previously

²⁸³ www.hbs.uk.com

²⁸⁴ <http://www.itnetplc.com/ITNET/press+releases/east+sussex+signs+landmark+deal+with+itnet.htm>

²⁸⁵ Based on private sector experience of operating outsource contracts – source 2003 Outsourcing in the FTSE 100 – The definitive study, CW360 / Morgan Chambers

undemocratic situations. The introduction of more mayors, local control of schools will hopefully bring more people into the political process.

We suspect that this will mean that the quality of execution of many sides of the public sector will go up, and that most people will have better access to individuals making decisions that influence them. In particular the town hall plus (see below), will help to make such access easier, as it is more plausible that the remnants of the authorities and the other public sector bodies will be easily housed in small offices in easy to access locations.

Town Hall Plus

To make several of the proposals in this paper viable, and to give local government both a more human face and make it more accessible, we would like to see the creation of a new breed of town halls, which we call 'Town Hall Plus'. In terms of size and scope, these would be somewhere between a community centre and a traditional city (or borough) town hall. We envisage one per one-to-three wards in inner city areas.

We want to provide a place where the services paid for by the local authority are accessible in one location. We also want to offer other services and elements we believe that the inner city would benefit from. These services are both political and operational. We have tried to take the town hall beyond the conventional role it currently undertakes. Over the last five years, much thought has been expended onto how to e-enable local government. For many in the most deprived areas, access to home IT equipment is not an option but the insight of having as many of the services of the local authority open to access in one location as possible is a good one.

Their functions could include:

- Premises (mix of low rent permanent space and hot-desking facilities) for community not-for-profit organisations and shared support facilities for these same organisations (copying, mail room, etc)
- An 'eAccess' centre for the general public – free internet access, plus self-teach IT literacy and other courses
- Location for job centres, including national electronic search facilities
- Public access to other key databases, such as national housing vacancy lists (see the chapter *The Place to Live*)
- Secure premises for new-model credit unions (see the chapter *Beating the Debt Trap*)
- First six month's accommodation for nascent Community Based Development Organisations (see below)
- Representatives of the CareBank – able to provide advice and make connections with the new providers (see below)
- Free-to-use meetings space for community groups
- Location for local councillors' drop-in clinics
- Public display of all planning notices etc
- Exhibition space
- Central mini police stations (see the chapter *Safe Streets*)
- Food and drink and other retail concessions, leased to the private sector (these help to create a buzz, in contrast to the grand but rather lifeless town halls of today)

Depending on what already exists in the area, Town Hall Plus' could take over existing town halls or other public buildings, and may or may not be co-located with library. Critically, however, they must be in easily accessible, high street type locations; and, reflecting an earlier era of urban civic pride, they should be impressive buildings.

Town Hall Plus will involve spending some money. But this is enabling funding, both to help foster pride in the locality, and to make so many of our other proposals a reality. Many of the services therein can be provided by not for profit or private sector bodies, but it is more important that they are accessible and all in one space.

Changing the way that care is provided – The CareBank

One of the biggest changes that we are seeking to make is in restructuring the provision of social care in the inner cities.

We see two major changes that could be introduced to encourage greater flexibility in the operation of these services and just as importantly, more control for the recipients over the choice of these services. This will be achieved through the use of CareBank and, progressively over as much as a decade or more, stopping authorities physically providing care services themselves.

The CareBank²⁸⁶

We want to develop a locally focused approach. The CareBank is a fund run by each local authority that consists of a pot of money. It will be compulsory for all local authorities to establish the CareBank as a facilitative body – it will act as an independent commissioner of care provision from a range of suppliers including local authority and NGOs etc.

There are a number of ways that this fund could operate and we envisage that it may evolve. The money provided is allocated to the individual in need of care. Each individual is allocated a fixed amount of funding – the Care Grant - by the local authority based on the specific problem to be addressed. Each problem has a fixed amount of money allocated as determined by the local authority. This allows the authority to budget, within constraints, the priorities that they wish to fund (i.e. the total amounts of money on drugs, elderly etc.) and then the allocation per individual.

This money is given to the CareBank. The CareBank then acts as the actual provider of funds to the organisation(s) that might help the individual in need. In some instances the role of the CareBank is to act as an advisor, helping the individual make decisions about the choice of alternative providers from which they might receive care. In cases such as provision of support for the disabled, for parents seeking support, and asylum advice, this could work well.

In other instances, the CareBank may need to act as decision-maker, selecting the care to be provided to a care in conjunction with the recipient as much as possible, but ultimately having to make the choice about the form of care.

The providers of care could be national organisations with special skills in the relevant area or local, or combinations of both.

Our belief is that the CareBanks should be not-for-profit entities in their own right, with one for each of the inner city metropolitan boroughs or the cities themselves. Because of the concentration of people within the urban areas, it is possible that there will be a number of potential providers of service, from which a choice can be made and the funding will then follow the individual.

At present this is difficult to immediately achieve because central government determines many of the obligations of local governments, but over time we would like to see many of the constraints removed so that local communities are better able to determine for themselves where they wish to prioritise and allocate the funds which they have responsibility.

We envisage the retention of minimum standards via the accreditation and possibility of a central government Office of Care Review. Whether this is absolutely necessary in the longer term when more information becomes available about the operation of these services and is disclosed is unclear, but we can foresee a situation where it is sensible to provide a combination of Ombudsman, to look into cases of concern, and an independent monitor of care quality. That said, the purpose of separation of purchaser from provider is that the local authority is intended to enforce standards, and the same information disclosed about performance of the providers should help the local authority compare its own performance with that of its peers, and seek out examples of poor operation.

Stopping Provision by local authorities

One of the key changes that we propose is that councils, over time, reduce and then stop providing care services. It will not and cannot happen over night, but it can happen. We accept that this is a major change but in the inner cities, we believe that it might improve the situation for many of those who are recipients. Alternative providers can include charities, religious groups, the private sector or other forms of not for profit bodies.

²⁸⁶ The genesis of this idea came from the Camila Batmanghelidjh at Kids Company.

As an illustration of the nature of social services that are provided by a council, the following are the services provided by Haringey council:

- The elderly: elderly people leaving hospital, elderly and disabled residents living at home, elderly people in nursing and residential homes and sheltered housing;
- Drugs: people ceasing substance misuse, existing misusers;
- Families: in crisis, bereaved parents and children, children and parents in distress, victims of domestic violence;
- Children: abandoned children, children and foster carers, pupils lost in the school system, young people in distress;
- Asylum seekers;
- Young offenders;
- Mentally ill: people in despair;
- Provide protection for: children from abuse, the community from harmful child abusers; women from aggressive partners, young people from making damagingly wrong decisions; vulnerable adults from neglect and abuse; men and women who are mentally ill who simply want help to live independently in communities.²⁸⁷

It is our belief that all of these services could be provided by organisations with an interest in these problems, and already, Haringey receives services from many supporting not for profit entities. The issue we are confronting is to raise the percentage of work done by these not for profits. There already exist many not for profit bodies across the country which could support the provision of more services to these categories of need.²⁸⁸

We do not believe that the service just needs to come from existing legal entities. There have already been policy proposals to develop Community Asset Trusts to hold assets in trust previously owned by local authorities.²⁸⁹ There may be a further opportunity to develop similar entities specifically to run social services as not for profit corporations, possibly similar to BUPA.²⁹⁰ BUPA was set up as a provident association where all of the profits are reinvested in improving the service. If BUPA can offer health care to four million people, then it is a potential model for providing social services in the UK. For example, BUPA also runs 245 care homes and 54 retirement home developments. There is the possibility that where the local authority is linking in with the services offered by primary care trusts, that provident associations or other not-for-profits could handle many elements.

Making the CareBanks take off

One of the initial challenges is that at the start, there are likely to be few alternatives to the local authority. The challenge is to create an environment with multiple providers. This will not happen overnight, particularly given the scale of what we are after. There are some lessons to be learnt from the development of markets in other products such as telecoms, but our overall approach is to oblige the percentage of social services that is provided by local authorities to diminish by 5% of the starting quantum each year. When they have achieved 60% being provided externally, the remainder can then be transferred externally. The council can accelerate this if it is finding that appropriate offers to provide services arise.

We might be able to help the not for profits initially by providing visibility for them in the Town Hall Plus, and perhaps by encouraging the provision of shared services for their back office functions (conceivably with the local authorities themselves).

²⁸⁷ http://www.haringey.gov.uk/services/social_services.htm - we have edited the terms slightly but predominantly these are the descriptions of the services provided.

²⁸⁸ Examples could include SANE for mentally ill, NACRO for young offenders, Age Concern for the elderly. That is not to say that these charities would specifically wish to take on such a role.

²⁸⁹ Sixty Million Citizens – Conservative Green Paper on Charities 2003, p11

²⁹⁰ <http://www.bupa.co.uk/about/asp/history/index.asp>

Can the not for profit sector raise its game?

One of the key assumptions that this paper makes is that the not for profit sector will be able to take on the responsibility for the social services in the inner cities. As referred to earlier, organisations ranging from Children's Society, Barnardos, Age Concern and others already hold a considerable role.

Whilst some elements of provision, such as meals on wheels and elements of house visits, can be provided by the private sector, we see a the not for profit sector could represent the bridging gap between the public and private sector's responsibilities, particularly when we reach into the realms of childcare and other sensitive areas.

Key to this is an expectation that the sector can raise its volume of activity many times over. Organisations such as Barnardos and NCH are larger than might be imagined. Their combined turnover is nearly £400m per year. Even if we assume that the total turnover of relevant care charities is approximately £1bn, this compares with a total expenditure on social services in inner cities which we estimate to be around £8bn²⁹¹.

The challenges for the NFP sector are significant but not impossible. The not for profit sector already turns over £20.4bn in 2002/3. Of this expenditure 37% is calculated to come from the public sector (i.e. more than £7bn).²⁹² The not for profit sector is already larger than might be imagined and the public sector is the largest single source of funds (ahead of personal donation). We wish to extend this development.

It will need to operate on greater scale, absorb resource from the public sector (both money and people) and ensure quality of service delivery through out some of the toughest areas of the country.

It will also need to change the way that it contracts with local authorities in as much as a consistently heard refrain is the difficulty of negotiating fair rates for the services provided by charities. This particularly relates to the charities having little opportunity to recoup central administrative costs from fees paid by local authorities. There will need to be a change to recognise that reasonable central administrative costs should be paid by authorities demanding services off the not-for-profit sector.

There is also a need to ensure that the standards achieved by the sector are suitable. Some not for profits are very good but others are less so. The level of professionalism varies immensely across the sector. This is something that we can deal with.

The National Council for Voluntary Organisations already provides courses for a whole range of areas of the not for profit sector²⁹³. Our emphasis is on the work of organisations not reliant on provision by volunteers, but taking on contracts via paid, professional employees seeking to meet the highest possible standards. The pressures on the sector will be significant if it is to grow so fast, so we propose to fund targeted programmes on:

- Leadership;
- Programme and project management;
- People development and sector specific training;
- Contract bidding;
- Service level development and monitoring.

These courses would need to be accredited to ensure quality along the lines of British Standards. We propose that such courses are catalysed via funding from central government to catalyse their creation, but after 3 years they must be self funding. It may have some similarities with the existing government's proposals for a 'Future Builder's Fund'²⁹⁴ but in a more narrow form and exclusively orientated to developing capability and without the emphasis on capital investment.

This is the first stage to a broader process of developing appropriate accreditation for providers of these services. We are keen to see the development of suitable accreditation process for providers. It is not initially envisaged as obligatory, but it is envisaged to be a means of discriminating between the qualities of service provided. As per a number of accreditation approaches, it is envisaged that the focus will be

²⁹¹ depending on the definition of social services.

²⁹² The Size And Scope Of The UK Voluntary Sector - NCVO UK Voluntary Sector Almanac 2004

²⁹³ <http://www.ncvo-vol.org.uk/asp/search/ncvo/main.aspx?siteID=1&SID=5&viewType=3> - for example events and courses run by NCVO. Note that the NCVO primarily provides services for employees of not-for-profits.

²⁹⁴ http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_futurebuildersfaqs.cfm

split between reviewing the quality control systems and procedures, alongside periodic scrutiny of the delivery via a monitoring mechanism from the accreditor. We would envisage some independent verification of the quality of the accreditation at the start, but ultimately it will rise or fall on the basis of the actual quality of what is delivered. Our key focus is to kick start it.

Our last proposal connected to this is to ensure that the performance of the providers is disclosed as part of the contracting process with the local authorities. Rather than prescribe the performance measures, we are keen to see that there is a process for development of such measures, which will enable comparison of their services. If – as is discussed below – there is a sharing of contract structures, between the authorities for the purposes of making bidding easier, one of the possibilities is that the contracts can share some elements of disclosure. We wish to avoid too much prescription of the contracts and the metrics, as they need to flex according to local requirement.

Making change at the micro level - Community Based Development Organisations

We have been struck by the fact that many problems in the inner cities are small, yet solutions call on contributions, both financial and otherwise from a whole different set of entities, in the private, public and not-for-profit sectors. They also require a level of energy, determination and flexibility of approach not often shown in the inner cities authorities.

One of the key groups of entities which we would like to see being developed more comprehensively are Community Based Development Organisations. The best descriptions to describe what they do are:

“Battles to bring about affordable, quality housing, commercial opportunities and employment within poor areas”²⁹⁵. They are “a business with a social conscience”²⁹⁶

They are small non-government organisations. In the US where they exist they act as a bridgehead between the community, government and business. There are a lot of them and in four years they built 6.6m sq ft of business and industrial space plus over 80,000 housing units in the US.

In the main they carry out small-scale property and economic projects. The property projects range from re-developing derelict housing, through to operating warehouses for local entrepreneurs to set up in, through to operating shops to maintain a lively economic environment. An economic project might be setting up of a garage where people are trained to be mechanics.

The two key themes seem to be the use and development of very local personnel in the operation of the CBDOs and the desire to leverage whatever they have. The personnel involved in operating the CBDOs should be local and the people that they benefit should be local as well. Leveraging means that a CBDO will partner private and public sector to get more funding, or can work with trusts, charities and any one who can leverage their capability.

CBDOs vary widely in what they do. This reflects the varying different situations that they individually face in their communities. They are not only developers or project operators, they also act as a voice for communities in as much as they will approach a central or local government / business to persuade them to change a decision. Often they will employ neighbourhood organisers to set up community associations.

One operator of a CBDO said about himself:

“You are not real estate developers, you are community developers and there is a difference”.²⁹⁷

In the US they have tended to be spin offs from churches or charities and are then set up as a hybrid of a charity and a business. They have a board that must have a majority from the area in which the CBDO works. Their income comes from the rent that they generate and from the payments, fees funds they can obtain from elsewhere. If they generate no income, they go bust. This focuses them.

Lastly, they are small. The average annual budget is less than a million dollars and a median staff number of 7, with a mean of 19.

There are already some examples in the UK. The Development Trusts Association - www.dta.org.uk - is the main axis point for this in the UK but we want to really encourage the lessons from the development of the best of the US over in the UK. There is a particular opportunity in inner cities where there are

²⁹⁵ Page ix Herbert J Rubin – Renewing Hope – Within Neighbourhoods of despair - 2000

²⁹⁶ Page 6 – Sic

²⁹⁷ Page 6 – Sic

often older properties which could be developed / enhanced, and a nexus of people whose skills need to be enhanced:

- CBDOs do not have a fixed mode of operation or objectives – they determine the need based on the requirements of the community
- they are very local
- they do things which in the UK are often attempted and fail when done by local authorities

We would like to see the inner city authorities helping to contribute where the case is justified, to these organisations. We see a possible role for catalyst funding from central government to train a lot of people to operate them – there are a lot of lessons from the US that can be absorbed.

They provide a new, smaller more localised method of bringing skills to the inner city in a form which is more entrepreneurial and likely to succeed than conventional activity by councils, and more to the point, seeks to lever all of the resources available to it, and not just rely on the local and central government. It manages to combine a whole host of approaches and skills in one entity.

Transition

In order to get to where we wish to take the public sector in the inner cities requires a significant change. In some ways, it is less than might be imagined as many elements of local authorities already heavily rely on the private and not-for-profit sectors for delivery of their service, or there are pre-existing role models of how it could be done. That is not to say that it will all be easy and within the space available in this chapter, some complicated issues are only covered in brief. The purpose is to show that there is a way through.

Outsourcing the provision of so called back office services such as finance, revenue collection and human resources means using an outside specialist organisation to provide what was previously being undertaken internally. The outsourcing of these items is not without problems if poorly executed, but there is considerable case experience and their experiences can be drawn upon, both good and bad.²⁹⁸

One challenge is to outsource other services in such a way that recognises that the services being provided must not just stop. An argument that we have heard repeatedly when reviewing provision of public sector services is that there is often a legal obligation to ensure their provision (e.g. provision of child protection) so unlike many markets, these services of the public sector must not stop for any reason (such as running out of finance). The concern is that if provision were to move outside the local authority, the ultimate problem is that if the vendor went out of business, then the public sector would have to ensure that provision occurred.

This question is based on a false premise that the public sector is currently satisfactorily meeting its obligations. In reality, the quality of execution of many of the public services means that government in inner cities is not meeting its responsibilities obligations as we have repeatedly seen throughout the chapters of this paper. A review of the Best Value reports of many councils shows how far away they are from satisfactory performance. Part of the challenge is to be closer to achieving these targets.

However, it is fair comment that there is a risk that a private sector body may go out of business part way through a contract or may turn out to not meet the legal obligations, which would ultimately reside with the council or public sector body. Dealing with the former point, whilst a public sector entity is unlikely to become insolvent, it is quite possible that it has budgetary constraints. As a result the ability to fund specific obligations may be impaired so it is possible that a public sector body may ration provision of its service (akin to the mode of operation of the NHS).

Dealing with the second point, once there is recognition that in fact there is no perfect solution and that private or public sector entities can fail to provide their legal obligations, then the solution is linked to standard risk management procedures. It is easier to monitor a separate entity providing a service than to monitor colleagues and so it is easier to monitor contracted out services. Public sector contracts should aim to operate mechanisms that ensure that there are appropriate financial penalties for not meeting legal obligations, and that the entity being contracted with has the financial robustness to ensure that it is able to meet its obligations for the next 12 months. It will not achieve perfection, but it will mean that the

²⁹⁸ <http://www.computing.co.uk/News/1118445> regarding the issues Hackney Council had regarding administration of benefits in 2001.

public sector in the inner cities starts to track performance and recognise when and where obligations are not being met.

This is good enough for 99.9% of businesses that rely on telephone systems, electricity and water. A legitimate criticism is to point out that in the public sector, the 0.1% failure rate can be pretty disastrous when we are talking about people's lives rather than utilities. This is true, but the current situation is so much worse that it would be fantastic progress if 99.9% of public sector obligations were met to a suitable and satisfactory level.

It is already the case that third parties already handle some of the most sensitive areas of a council's responsibility. For example in areas such as social services many councils already use private sector provided temporary staff and contract out the provision of many homes for the elderly. We understand that a significant minority of certain social services departments in London already consist of temps and contracted personnel. Likewise, charities such as NCH and Barnardos are contracted to offer children's services across the UK. NCH has over 500 projects all over the UK.

If an alternative provider of services goes out of business, it ought to be easier to find a replacement once a market for such services has been developed (even if such a marketplace solely consists of not for profit bodies) than to replace a public sector department shown to have been incompetent at present (given that the developed range of alternatives is less broad than elsewhere). We envisage that the existence of providers that operate in more than one authority (unlike the authority itself) will give greater flexibility to pick up the pieces. In particular TUPE rules put structures around the transfer of staff that mean that if one vendor collapses, there is a process for transferring them to another business or back to the council.

More complex is what happens to assets used to support the operation of the contracts. Many of these will need to be used in the provision of a particular service (an example might be a warehouse for storing waste collection vehicles). As before there is a choice as to whether the council seeks to retain the assets for use by the contractor or whether it sells them off. The decision to sell risks that in due course the particular asset may be redeveloped and no longer available to provide the service for which it was being used. This could be dealt with via a long-term lease or via limitations on the use to which the property is put.

We are pragmatic as to the implications of this. First it allows the council to reinvest the money either into the local area, or into higher yielding assets. If the council wishes to retain assets to give it future financial flexibility, this is an objective that is better met through the freeing up of money so the money can be held in another more flexible and usable form, which may then earn greater return for the council. Either scenario is better than leaving just leaving it as a crumbing, under utilised and under maintained property.

Secondly, one of the principal problems of the inner cities is lack of development. By and large, if there are properties that could generate economic activity, then they should be used as such.

With certain assets such as public parks, museums et al, our proposal would be to put these into trusts which could then be owned and run by the trusts / charities, though the local authority / other public sector entity could continue to fund / part fund them. There are already many trusts / museums in this form²⁹⁹ and the operation of e.g. the National Trust shows that public access gardens can be run for local benefit.

Alternatively, the decision to retain ownership but leave operation and maintenance in the hands of a contractor risks deterioration of the underlying asset. One solution is to ensure that properties being used by a contractor are rented by the contractor and a repairing lease is used. Again, this issue arises in the private sector all of the time and is resolved through similar means. It also ignores the extent to which many public sector maintained buildings are not properly maintained. The recent example of the Clissold Leisure Centre in Hackney is illustrative. After £30m was spent on its building, two years later it is empty and being vandalised³⁰⁰.

Lastly, it is worth considering people and pensions. We are proposing that many people in local authorities change employer into the private or not-for-profit sector. Two issues arise from this: pension liability and the costs of re-organisation.

When individuals are transferred from the public sector, there are rules about keeping the same employment terms. One key aspect of this is pensions (which are usually based on final salary rather than

²⁹⁹ Eg Geffrey Museum in Hackney - <http://www.geffrye-museum.org.uk/aboutus/corporate/>

³⁰⁰ Evening Standard – 17/02/04 – article by Mira Bar-Hillel, Planning Correspondent

the amount contributed which is usually more generous than in a non-public sector environment). From conversations with providers of services, there is considerable concern about pension liabilities as they worry that expensive pension liabilities could come with personnel. However, at point of transfer of the personnel, the pension asset already built up in the pension fund should be transferred as well. In many instances, the liability should be covered or mostly covered by this asset.

Where it is not covered then the public sector has a liability already that would have had to be paid in the future. Our proposed transfer of the people will force the public sector to top up the pension fund to cover the any liabilities i.e. it recognises the liability now and ensures it is now correctly treated in the public sector accounts. At the very least, the liability thereafter can grow no further. In the scenario where there is a change of pension terms, that is an issue for to be dealt with transfer by transfer when the employee moves to the new employer.

Re-organisation costs are a further issue. We are proposing radical restructuring of the public sector in the inner cities because there is a need to substantially overhaul its performance. It is difficult to assess the re-organisation costs for the scale of wholesale reform that we are proposing, partly because we are not specifying the exact form many of the changes will make and we want to let local areas make their own choices.

We hope and expect that it does substantially change. There is a possibility that operators of the services that have moved outside the council may well choose to reallocate, retrain and restructure their employees. Our premise remains that the rationale of such re-organisation is that it will leave more resource to be put where it is needed. We have not sought to quantify the potential redundancy costs that might accrue for a number of reasons. First, the rationale is to improve the public services within these areas. To that extent, we expect to see some costs rise (more police and more intensive provision of public transport for example). It is not clear whether the net number of jobs funded by local authorities will diminish, but the nature of those jobs will change hugely.

We accept that there may be significant costs, but given that the central government has poured billions of pounds into the inner cities and frequently seen little benefit, and many elements of local authorities could achieve a great deal more, a considerable proportion of the transition costs can be borne over a number of years as the changes we are proposing will not happen over night.

Contracts and tendering

The changes that we are talking about require the extension and growth of the capability of providers to meet the needs of the councils. Whilst we are not discussing provision to all local authorities, we are exploring provision to a substantial number.

Many of the public sector services that can be contracted out will need to be tendered, as they are high value, via the EU tendering process.³⁰¹ To expedite this, we suggest development of some common contracts and tendering components. This does not mean that all of the services will need to be the same across the inner city locations, but it does mean that it is easier for the bidders to respond to tenders, and easier to then negotiate the contract. This would speed up the contract implementation.

The service providers would still need to expand explosively. Our proposals for example currently envisage a greatly enhanced role for the third sector where many of the social services and funding of health related components is provided by not for profit entities. Similarly, all housing would be provided by trusts, education via charter schools. From discussions with a number of providers in the private and not for profit sectors, there is no quick fire solution. It may take a full parliament and perhaps longer to build the capability of these alternatives. Early predictions from various potential providers suggest that a 5 – 10 year timeframe will be needed to drive through the changes. It is our belief that this should be seen as a 10 year project at least.

Time is also important in the context of contract duration. Discussion with various charities and private sector bodies suggests that they are keen to have some security of revenue and stability of contractual operation. There have even been proposals that the contracts should be 25 years. We think that this is too long but it is also recognised that there may be a need to make up front investment that is then drawn upon over a longer time. For example, the providers of outsourced finance services often invest upfront in new finance software such as SAP so as to enable fundamental restructuring of the finance department. That does not lend itself to contracts of one year's duration. Recent contracts signed by councils such as

³⁰¹ It is obligatory to tender through the OJEU process for tenders in excess of a certain size, depending on the type of contract and contractor. If a contract is foreseen to be more than approximately £150,000, it is likely to come under OJEU rules.

Milton Keynes for the provision of their back office have been for a decade or more.³⁰² This makes for a longer-term series of commitments on the part of public sector bodies, as the PFI and PPP projects have already set precedent. This longer-term time frame will have an impact on the political environment and will be discussed below.

The need to develop more sophisticated tendering and monitoring capability is a more profound change in the role of local public employees. It is important that inner city public sector bodies develop the capability to produce tenders and thereafter monitor the outcomes of the contracts. Almost immediately, it will be key to introduce training and guidance both for the elected and appointed personnel.

Building in flexibility

This new more flexible government should not be overplayed. We hope that flexibility will come about in the form of better delivery of services to the inner city inhabitants by a broader variety of delivery agents. However, it is possible that in the medium term, once contracts have been signed, the theoretical flexibility of the council to change direction, for example if there is a change in political ruling party, may be limited if there are long running contracts in place. Our guess is that it will be easy to increase expenditure, as most private sector organisations are keen to enhance contract value.

Cutting expenditure may be the area where the flexibility may diminish if the councils for example are not careful, as the contractor may want remuneration for lost profits on a prematurely cancelled contract. This loss should be contextualised. Most organisations, including government, bear costs relating to major strategic cut backs such as redundancy costs, strikes, losses on asset realisation. Even on outsourcing contracts the losses related to stopping them may be less than is imagined, as the changing nature of contracts and the contractual demands usually permits flexibility on the part of the client in terms of their ongoing requirement. Provided there are appropriately flexible clauses in the contracts, many of the costs of implementing cut backs can be mitigated so that flexibility is not materially reduced.

Similarly a concern has been voiced that public sector bodies might spend so long developing revisions to contracts that this might stop them implementing rapid solutions to immediate problems. By and large this problem is also a red herring as existing services being provided to the council could often be quickly extended to incorporate new circumstances. We should also take account of the public sector's actual speed of response when operating an activity themselves which is generally considered to be slow.

We also believe that the separation of provision from funding will make the public sector in the inner cities happier to distribute information on contractors' performance. There will be more data around and we suspect it will make for more data to be available to the public on performance by the private or third sector contractors. In turn, this will help with accountability.

Will inner cities change?

There is currently a high level of disengagement on the part of the inner cities. Our aim is to ensure that there is more engagement by bringing power closer to the masses, and ensuring provision of many services is better, more easily monitored and tracked.

As has been explored, we are proposing to change elements of the operation of the electoral system for local councils. A threshold of success of our proposals is that more people believe that their vote and behaviour can make a difference. One objective is to achieve a simple majority of people voting in local elections, whether for transport commissioners, mayors etc.

We have to face a reality that for many of the people living in the inner cities, the last thing on their mind is voting or engaging; they simply want to get through. However, if we simply left it as that, then this is a counsel of despair and an excuse to do nothing, which we cannot accept.

Will they engage a bit more and will government be a bit better for the people that need it most? If we give people the opportunity for more responsive government, services more closely linked to people's needs and better access to these services then we believe so.

It will give us a better chance making our inner cities 'Go Zones'.

³⁰² <http://www.miltonkeynes.gov.uk/mkcouncil/home.asp> - A message from the Chief Executive – refers to a 12 year contract.

Paying for It

These days it seems that whatever you present, the first thing the other side says is “their sums don’t add up”. Indeed, impressively, sometimes the Labour party are able to establish this before even seeing the sums!

We will pre-empt this by admitting that our sums do not add up. In fact, we haven’t tried to make them. This paper is not meant to be an integrated, comprehensive proposal for a policy platform, fully costed. Moreover, we don’t have the wherewithal to make these complex calculations. Further down the line, when a selection of proposals have been identified as desirable, and further refined, that will be the time for costings to see what we can actually afford.

Some of our proposals are certainly expensive. But you have to view that in the context of the massive annual spend on things like welfare and law-enforcement. None of our proposals is simply about upping transfer payments. As we said in the first chapter, the idea here is to discuss initiatives that can actually give new hope, change people’s prospects, and turnaround whole areas – not just to alleviate the tough outcomes people face. The reforms we are talking about are intended to reduce the incidence of those outcomes – and that, in the long run, reduces the cost. As everyone in business knows, sometimes you have to spend to save.

Moreover, given that the budgets in many publicly-funded areas go up and up every year, the decision is sometimes not so much whether to spend, but how and on what.

All that being said, we have made some (admittedly very rough) estimates of costs for some of the bigger proposals based on some broad assumptions, and we show these below.

Initiative	Assumptions	Estimated Impact
Every school a charter school	No significant net impact. Significantly more money transferred to the schools from the LEAs	£0
Longer school day	There will be an impact in terms of staff salaries, but this can be mitigated (not eliminated) by making part of the increase in hours through extended breaks, during which most teachers can be marking work that otherwise they’d be doing after hours. Apply initially to worst 10% of schools; extra £50 per week per teacher; assume an average of 60 teachers per school in these schools; secondary schools only (i.e. this would apply to 350 schools initially). Could; be part-funded by money saved form LEAs.	Between £0 and £55 million annually
Relax employee-related legislation	No significant net impact. Could even be a saving.	£0
Business rates kept local; limited business franchise	No significant net impact.	£0
Business Partnership Zones	Funded by business contributions, so no net impact	£0
Relax planning rules	No significant net impact. Could even be a saving.	£0
Active JobTrain programme	Significant expenditure will be saved by scrapping current Government schemes, and benefit payments will reduce as more people are placed into work. This should more than offset the additional training costs. The use of the private sector to run job centres should be cost neutral or better as people are placed faster.	£0

Initiative	Assumptions	Estimated Impact
Heroin & crack prescription / distribution centres	The actual 'product' cost should be mostly covered by the charge to addicts, since one would not be buying at street prices. There will definitely be an incremental operational cost. In very rough terms, based on the cost (rent + staffing + other operational costs) of running a sizeable and pretty secure retail pharmacy, and if we were to have 200 such centres across the country, that would come to around £50m annually. Of course, that has to be set off against savings in crime; and we believe there could be a potential to tap insurance companies for part of the cost.	£50 million annually
Drug courts	These can sit in the same premises as existing courts, but there will be an increase in judges' time and lawyers' time because a) hearings will be needed to determine whether a case should be heard in the drugs courts or not and b) there will be multiple hearings for a given case to assess progress towards rehabilitation. Assume that 20,000 individuals fall into the remit of the drugs court and that on average they need an additional 3 hearings a year over and above existing hearings. Assume the average hearing takes 20 hours of lawyers and judges' time at £150 an hour	£180 million annually
New disclosure rules on loans & credit	No big net impact. There would be some impact in terms of greater scrutiny and more cases being brought – but really this should happen anyway.	£0
New-model Credit Unions & the Social ISA	Assume we can stimulate roughly a doubling of the current credit union network, i.e. an incremental 600 credit unions, and assume we adopt exactly the funding mechanism outlined in this paper. Assume further that you get a 75% take-up of the support proposed among the new ones, and a 25% take-up among the existing ones. 1200 FTEs for two years we estimate to cost (on a fully-loaded basis) around £40m for each of two years only. The capital shareholding is £300m, but of course this is capital, not revenue, spend. That £300m could also be reduced by more weight being put on the Social ISA aspect.	£300 million one-off capital spending £40 million annually for the first two years
Marriage bonuses	This is definitely an expensive proposal, and depends on the exact level and eligibility. We would propose to pay for this out of reductions in universal child benefit, leaving net zero impact on the welfare budget.	£0 if counter-balanced by savings in universal child benefit
Rebalance lone parent support for under-19s	A small increase to one group, and a small decrease to another, resulting in an overall zero net impact.	£0
Elected sheriffs	Assume that are about 150 extra sheriffs (each corresponding to as local authority). They would be based in existing police stations or local authority premises and would have a staff of (say) 2. Total cost per Sheriff = £300,000 per year (fully loaded). There should be offsetting savings from the existing Police Authority's administrative budget	Between £0 and £45 million annually
More visible police	Increases in numbers already feature in Conservative party policy and projections. Our proposals here for increasing visibility should have minor impact on cost.	£0

Initiative	Assumptions	Estimated Impact
Variable electronic road pricing	Difficult to quantify until feasibility studies are conducted, but studies in America have suggested costs for installing technology in cities such as Washington would be less than £10 million if existing infrastructure is used and annual revenue would be in the region of £20 million (of which £10 million would be needed for the scheme's upkeep). Nonetheless the American studies are for far more ambitious schemes than we are proposing.	£10 million investment to establish Net revenue of £10 million annually thereafter
Car Clubs	Existing car clubs have had their costs partly met by European funding, but there will be a fairly high start-up cost (estimated need of one car per 20 members) that would be balanced over time by an hourly and flat registration fee.	Self-funding over time
Better buses	There will be some cost implications of providing better information and improving safety and route flexibility, but this would be compensated for by increased bus usership. Better co-ordination of the existing forms of public sector transport would involve significant cost savings (in Nottingham it was £78,000). Encouraging sponsorship deals between businesses and charities would also save money.	We have been unable to quantify overall
School minibuses & virtual buses	Virtual buses would obviously require the good will of parents, but would have little cost. Providing school minibuses nationally would, according to a study done for the Sutton Trust, cost an extra £180 million but would have substantial benefits in terms of improved safety and the environment. Assume here that we only make this available to secondary school children in the most deprived 10% of wards.	£18-30 million
The CareBank	The vast majority of what is covered by CareBank is existing spend, spent through a different channel. To the extent we are proposing new spend items (such as on 'Something to Do' programmes), we hope they can be covered by savings made in moving from large organisations (local authorities) to smaller, nimbler ones (like CNFPs) without adversely impacting care.	£0
Town Hall Plus	Town Hall Plus' may cost between £5 and £10million to develop each, primarily due to the costs of fitting out the IT required and the need to reorganise the existing town halls / libraries to cope with their new use. Refitting existing buildings will be less costly than having to build new ones (hence the variation in cost of up to £5m. We think that this expenditure per site would provide UK class facilities. Over the period of 10 years, we expect that as many as 200 of these would be created, hence necessitating a capital investment of £100m to £200m per annum. Some of this would have happened anyway as the investment on e-government and libraries was made, but we have assumed the worst that this would be the incremental cost.	£100m-£200m p.a. for 10 years

Going for It

In the first chapter of this paper, we identified the five Drivers of Despair:

- Dole
- Drugs
- Debt
- Dysfunction
- Defeatism

And we outlined seven principles for reform going forward:

- Be ambitious
- Believe that markets work
- But the market is our servant, not our master
- Think local, act local
- There is good and bad in everything
- But some of the measures are immeasurable
- Get out of the situational mindset

We hope you'll think that the proposals we put forward in the paper do address those drivers head-on, and stay true to the principles for reform.

But one thing is certain: the deep-seated problems of Britain's inner cities will not be solved by policy papers. What will make it happen are people.

Picking Winners

In our research we have looked at a number of initiatives for community regeneration, whether a massive-scale physical redevelopment (say, Salford Quays) or a micro-scale community support group. Time and again the same characteristics come up in the successful ones:

Inspirational leaders with vision

You can't over-state the importance of this. The most impressive schemes are always the ones with the most impressive leaders. They know where they're going and they make the things happen to get there. And the enthusiasm is infectious. People like strong leadership.

To some extent, public policy's role here should perhaps be simply to get out of their way. Certainly, there is a long, long way to go in removing the barriers (starting with the myriad funding sources, and the reams of forms that come with them). But there's a bit more to it than that. We said above that there were plenty of natural leaders in the inner city communities. That's true, but we need to help develop even more. And there is a role, too, in ongoing education and personal development for existing leaders. Plus, we should be realistic about what all you can expect one person to be good at. If you're someone running a centre for battered wives, chances are your key skills are in caring, nurturing, understanding, listening – and developing others working at the centre to do the same. But to make a real success of it, you're also going to need to be very good at planning, accounting, the law, PR, fundraising and a bunch of other things. Government could help by providing ways to access these non-core disciplines, and letting you get on with what you're good at. More such organisations would survive, too.

Partnership

Initiatives work best with everyone pulling in the same direction – community not-for-profits (CNFPs), businesses, residents' groups, local government and other public agencies. The partnership approach does seem to have worked well with things like City Challenge. But for the sort of massive change we'd like to see, we will need to go much further. We'd like local government to have a real financial stake in the success of business, for example. And on the subject of CNFPs, the public sector will have to learn to let go a little, and embrace this 'third sector' taking on more of what was hitherto its own domain.

A lasting formula

Big building projects generally are literally ‘built to last’, and this question therefore does not arise. But even here there is the occasional danger of building something (the Bullring in Birmingham, say) that reflects the fashion of the times (or the passion of the architects of the times, anyway) rather than something that’ll still be a source of pride 50 or 100 years later. It is pleasing that recent big developments, like Manchester city centre and the Newcastle waterfront, do not seem to have fallen into this trap.

With community initiatives, though, it’s a different story. A regular complaint is uncertainty of funding. It is difficult to plan properly (or recruit talented people) if you only know for certain you’ll be around ‘til next February. We argue in this paper for per-capita funding formulae, and/or three-year *rolling* contracts, so you can always plan at least three years ahead.

From within

Most of all, the projects and programmes that do best seem to be the ones that are born from *within* a community – whether wide-geographical (a city), narrow-geographical (an estate), or some other form, such as a faith-based organisation. Above all else, this is what has driven our approach in this paper.

Not The End

We want this paper to be a beginning, not an end. The Bow Group is organising a series of policy forums across the country to discuss these, and other, ideas to turn No-Go Zones into Go Zones. We’d also like to hear your thoughts, good or bad, on the content of this paper. Please e-mail us at InnerCities@BowGroup.org. Thank you.

