

**EVALUATION OF DERBY CITYSCAPE
AND
NOTTINGHAM REGENERATION LTD**

OVERALL REPORT

Final EIU report to Steering Group

February 2009

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1. INTRODUCTION

- 1.1 This overall report is the third produced by the EIUA in its evaluation of Derby Cityscape and Nottingham Regeneration Limited. It pulls together the big messages from our earlier work and essentially does four things:
- outlines the key features of URCs and the task we were asked to do;
 - identifies the key messages about the performance and prospects of Cityscape and NRL;
 - looks at the performance of the first round of URCs;
 - identifies some key messages for partners as they plan future economic governance and leadership in the East Midlands.

2. A CHANGING POLICY CONTEXT

- 2.1 The landscape of urban regeneration and economic development policy in the UK is changing rapidly in response to a range of government reports and initiatives, most importantly the government's Sub National Review and its recent response to the public consultation on it. RDAs are changing their roles and concentrating on strategy and relying more on Local Authorities and other bodies to deliver. Local authorities have greater economic development responsibilities. English Partnerships and the Housing Corporation have formed the Homes and Communities Agency. All these agencies have great interest in the performance of existing models of economic development delivery and their relationship to the emerging Economic Development Companies. The experience of Derby and Nottingham's URCs can make an important contribution to this national debate.
- 2.2 Urban Regeneration Companies (URCs) were designated by government in 2000 in response to Lord Rogers' Urban Task Force Report. URCs were designed to provide a different approach to regeneration from previous models, especially the Urban Development Corporations that had substantial budgets and extensive planning powers. URCs were intended 'to work with a range of private and public sector organisations, including the Local Strategic Partnerships, to redevelop and bring investment back to the worst areas in our cities and towns.' Their job was to address significant latent development opportunities by developing and managing the implementation of a strategic plan, agreed by key stakeholders after public consultation to produce a collective vision for the future of the area. Their primary focus was to be physical development and the re-use of brownfield land.
- 2.3 URCs were not meant to undertake a direct development role. Their job was to deliver physical improvements through partnerships, maximising the powers and expertise of existing agencies. They were meant to provide a focus and dedicated resources and would be created only where existing agencies could not have the same effect. URCs are companies limited by guarantee, established by local authorities, the Regional Development Agency and often English Partnerships. They were intended to be set up where local partners wanted them, rather than being imposed by government. So URCs receive no separate resources or specific powers other than those already possessed by the partners. They do not have their own budgets and rely on existing agencies for their core funding. This clearly requires the long-term strategic, financial and political commitment of the key partners.

2.4 Government identified the key requirements of a URC as:

- A majority private sector Board and Chair.
- Local authority and RDA membership.
- High recognition of the URC in its Regional Economic Strategy.
- A focus upon physical delivery of development.
- An identifiable critical mass of development opportunities.
- Evidence of market and/or institutional operational failure.
- A clear idea of how it would add value.
- A vision for the area and understanding of barriers to achieving it.
- A 10-15 year regeneration framework.

3. WHAT WE WERE ASKED TO DO AND HOW WE DID IT

3.1 In its Regional Economic Strategy and Urban Action Plan, emda identified Derby, Nottingham and Leicester as key parts of the commercial, industrial, administrative and cultural heartland of the East Midlands and the key drivers of regional economic performance. The two URCs together with Leicester URC have an important part to play in helping emda to realise its ambition that East Midlands becomes a 'flourishing region' by 2020.

3.2 emda, the Department of Communities and Local Government, English Partnerships, and Derby and Nottingham City Council asked for a review of both Derby Cityscape and Nottingham Regeneration Limited a proto-URC, to establish:

- how effectively they have performed in using their financial, organisational and political resources to improve the performance and prospects of their two areas;
- what contributions they have made to delivering the goals of the Regional Economic Strategy;
- how they have affected the processes of decision-making and governance in their areas and the region;
- what added value they have brought beyond what might have happened anyway;
- what have been the critical success factors;
- what have been the barriers to their success;
- who must do what differently or better in future to build upon progress;
- what are the future policy implications and advantages and disadvantages for partners of retaining the two organisations or changing them to an Economic Development Company, Local Asset Backed Vehicle or some other model?

3.3 Our work is based on a large evidence base including substantial documentary evidence, extensive Chatham House consultations with key stakeholders, evaluations of key projects and the analysis of much statistical data. The two individual reports on Cityscape and NRL contain a large amount of detailed evidence, analysis and recommendations. This overall report does not repeat the detail. Instead it identifies the key messages from them and their implications for partners. Since both places have entered a much more challenging economic environment and turbulent national policy context, it is crucial they not only build upon the good practice but address some of the limitations of current economic governance and leadership which our work has revealed.

4. NRL AND CITYSCAPE: SIMILAR BUT DIFFERENT ORGANISATIONS

Different formal status

- 4.1 The two organisations pursue similar roles although they are rather different in formal terms. NRL can be seen a 'proto-URC' which predated the formal introduction of URCs in 1999/2000. It was set up in 1998 but on the public-private regeneration company that had successfully led the regeneration of the city's Lace Market District, the Lace Market Development Company for nine years before that. NRL helped inform the deliberations over URCs but has not sought formal URC status. Derby Cityscape, in contrast, was formally established in 2003 as one of the Round 2 English URCs.

Different budgets

- 4.2 The two have very different revenue budgets. Derby Cityscape currently receives £873k income a year. NRL, by contrast, has operated with a much smaller average annual budget currently £553k. NRL's funding is small in relation to the Round 1 URCs in the other core cities. It is also smaller than many Round 2 URCs, including those in the same region. The scale of its task in relation to the scale of its resources has always been a big challenge for NRL.

Different territories and boundaries

- 4.3 The operational areas of the two agencies are also very different. Derby Cityscape is a classic URC focussing on Derby city centre c.140 ha. NRL focused initially on development projects in the city. But it has subsequently been given lead masterplanning responsibility for the city's three Regeneration Zones which together cover some 196 ha. Most important it also operates across the Nottingham conurbation as a whole. This sets NRL apart from most other URCs, which tend to focus on tightly defined areas in or close to city centres.

5. DERBY CITYSCAPE: PERFORMANCE AND PROSPECTS

Why did Derby need a URC?

- 5.1 Derby Cityscape was set up for a number of reasons. Derby's economy remained heavily reliant upon traditional manufacturing industries which though in many instances were still competitive, no longer provided enough job opportunities. In addition, the city centre had not attracted much inward investment in recent years. The quality of its retail and leisure facilities had not kept pace with its competitors and city living had not really developed. The city centre had not had any notable commercial office development for over a decade because of the relocation of many professional firms to the regional centre, Nottingham, and to Pride Park. Essentially, the city centre was not punching its weight and adequately serving either the city or its wider hinterland. The city was suffering from population loss, low proportions of aspiring professionals with high levels of deprivation in communities near to the city centre.
- 5.2 On the other hand, the city centre had inherent potential. It served an immediate hinterland containing a quarter of a million people and wider area, much of which was relatively prosperous. The medieval heart of the city centred on the Cathedral, contained interesting buildings and streetscapes and many buildings remained from the Victorian period when the city grew rapidly. The River Derwent running through

the city centre was a potential asset but development had traditionally faced away from it and pedestrians and cyclists could only gain partial access to it. Other areas of open space in the city were relatively unattractive and underexploited. There were also promising signs that the private sector was beginning to realise this latent potential. After years of relative inactivity, a series of development schemes were reaching the delivery stage, notably Westfield's extension to the Eagle shopping centre, the 'Riverlights' mixed-use development, various residential and commercial developments, the construction of the Joseph Wright Sixth Form Centre and transport improvements such as the completion of the Inner Ring Road and the 'Connecting Derby' major integrated transport scheme. Conversely, out-of-town developments such as Pride Park were nearing completion and fully occupied, which offered scope for a switch in focus back to the city centre. There was therefore scope for a special delivery vehicle to build on such momentum and exploit the city's latent strengths.

What was Cityscape asked to do?

5.3 Cityscape had three main jobs:

- a lead role in the pre-development phase of key projects and working with partners on site assembly, marketing, co-ordination of funding and championing Cityscape's strategy and with the city council on CPO, planning and highway issues;
- an advisory role in contributing to the project development process on other key city centre sites so as to ensure Masterplan compliance;
- an engagement role in maintaining an awareness of what is happening on other sites mentioned in the Masterplan, collecting intelligence on site ownership and if necessary assessing potential for viable development.

5.4 Cityscape's tight spatial remit, co-ordinating role and skilled team was intended to bring added value by improving investor perceptions and confidence, delivering development opportunities, integrating physical, economic and social investments and re-focusing existing agencies and mechanisms on the city centre.

Has Cityscape delivered money and outputs?

5.5 So far, expenditure on projects has come almost entirely from the public sector. Over the URC's lifetime the hope and intention is to lever in private sector investment at a rate of 1.9:1 (£225.2m private: £117.7m public). Subsequently a massive amount of private sector investment is anticipated (£465m). However, this estimate will probably need revising downwards in the light of the credit crunch.

5.6 The majority of outputs envisaged over the lifetime of the URC have yet to be delivered. Most progress has been made with brownfield land reclamation (25% of lifetime target) and land acquisition (24% of lifetime target). So far it has only delivered 3% of its employment and created only 52 jobs, 1% of the lifetime target. Cityscape has, however, played a supportive role in nine projects where it has delivered 'brokered outputs'. These have produced 43,000sq.m of employment space, 2,300 jobs, 8.2ha brownfield land reclaimed and 138 housing units.

5.7 There is evidence that the city centre is becoming an attractive investment proposition. Planning approvals for residential and commercial development were on average a factor of 6 and 50 times greater between 2006 and 2008 than in the three years before the URC was set up. Similarly, residential, commercial and retail completions had increased by factors of 7, 40 and 68, respectively over comparable

periods. Local awareness of the URC has increased from 70% in 2006 to 77% in 2008 and a growing proportion of residents believe that it is making a real difference to the city centre.

Has it delivered on its key projects?

- 5.8 Cityscape played a leading role in the **North Riverside** scheme, a comprehensive mixed use scheme comprising a four star hotel, offices, residential and a small element of retail, on an underutilised 'gateway' site bordering the River Derwent. But implementation has proved challenging due to land acquisition problems, the need to change proposals fundamentally in the light of extensive feasibility studies, the complex nature of the scheme and the different perspectives of the partners involved. And current market conditions may affect the scheme's content and phasing. Cityscape has brought added value by introducing a comprehensive vision for the area in its Masterplan, maintaining focus, commissioning feasibility studies, ensuring public realm improvements and acting as honest broker between partners. The way the project has progressed has demonstrated the need for greater liaison with landowners, flexibility of approach to acquisition, accurate costing, partner capacity, good working arrangements and early clarity regarding partners' respective inputs and terms of engagement.
- 5.9 Cityscape has also led most elements of a package of projects relating to **Castleward**, a run-down mixed-use area between Derby station and the city centre. The Masterplan vision is to create a high quality boulevard linking the two, an urban village in its environs, commercial uses to the north and to make provision elsewhere in the city for displaced local firms. So far Cityscape has commissioned a suite of feasibility studies, undertaken strategic purchases of land and begun to service a relocation site 1.5 miles away.
- 5.10 Cityscape's distinctive contribution in Castleward has been to create a new vision for the area and encourage partners to see it through, work closely with local businesses and secure land through agreement and carry out feasibility studies to ensure that the boulevard and core Castleward proposals are a marketable proposition. A combination of tougher market conditions and greater awareness of flood alleviation requirements may impact upon the precise nature and timing of the urban village element though Cityscape has worked hard to take such effects into account.
- 5.11 **St George's** is a mixed-use scheme on the fringes of the city centre's historic Cathedral Quarter. emda acquired the site occupied by a supermarket and gave Blueprint, the local asset-backed vehicle in which it has a major stake, the option to develop the site. Progress has been slower than expected for a variety of reasons: Blueprint was in its infancy when handed the project, the subsequent pace of delivery, lengthy dialogue with DCC planners about how to reconcile the need for a statement building with conservation policies and uncertainty about the city council's relocation plans. The project will not get properly underway until next year and again content and timing could be affected by the credit crunch. Although Cityscape played an advisory role in this project, it added value by its focus upon its strategic and catalytic importance in terms of strengthening the Cathedral Quarter's offer and maintaining that an iconic building was necessary. But the project shows how a series of factors has added up to considerable delay and raises issues about capacity, compatibility of timescales and timing of dialogue.
- 5.12 The **St Helen's** scheme was the product of a Cityscape-run housing design competition which aimed to raise standards of new social housing and also the URC's

profile. Cityscape set up an advisory panel comprising local and regional design and development experts to judge entries. The winning scheme has not yet been built because of a combination of delays in obtaining funding, revisions, market conditions and the fact that the original contractor went into liquidation. Market conditions will dictate the timescale for eventual delivery and scheme content. However, a separate scheme which was generated as a result of the competition has been built.

5.13 Cityscape provided added value in this project by devising the competition, channelling Housing Corporation funding into the city centre, raising standards, attracting new developers and Registered Social Landlords to work and invest in the city and creating a model of good practice which has been replicated elsewhere. The project would benefit from more panel involvement in the scheme's progress and more resident involvement. Table 5.1 shows the different kinds of added value that Derby Cityscape's projects have delivered.

Table 5.1: Added Value of Cityscape's Projects

Castleward (core area; station link; Relocation Strategy)	<ul style="list-style-type: none"> • Introduced comprehensive vision for realising potential of under-used part of city centre • Encouraged greater partner focus upon area • Worked up station link (boulevard) proposals in further detail • Procurement of additional resources, groundwork on land acquisition, extensive feasibility studies, marketing of site to prospective developers, preparation work for possible CPO have all enhanced the prospect of development • Business liaison, ability to acquire land through agreement • Preparation of relocation strategy, acquisition of reception site • Co-ordinator, broker and mediator on Railway Station Partnership Group
North Riverside	<ul style="list-style-type: none"> • Sought to deliver comprehensive regeneration of a hitherto neglected area • Maintained focus on area despite setbacks • Ensured that public realm improvements are an integral part of scheme • Commissioned extensive feasibility studies • Clear potential to act as honest broker between preferred developer and local authority given understanding of each other's requirements
St. Helen's	<ul style="list-style-type: none"> • Oversaw and orchestrated design competition • Channelled Housing Corporation resources into city centre • Raised standards, aspirations and expectations • Provided a model of good practice (advisory panel) which has been replicated more widely • Attracted new developers and Registered Social Landlords to city • Second-placed scheme also secured Housing Corporation funding
St. George's	<ul style="list-style-type: none"> • Masterplan and scheme specifics showed importance of site (Cityscape facilitated its acquisition) and early recognition of need to buttress Cathedral Quarter, post-opening of Westfield Derby • Cityscape maintained case that there was a need for iconic building to stimulate regeneration, despite concerns about heritage and its commitment to good design helped to reassure city council

Has it changed its patch?

5.14 It is difficult to assess real change in the Cityscape area partly because of data shortages but mainly because most projects in which Cityscape has been directly involved are still at a very early stage. But there has been progress. Cityscape's population has been growing slightly from a low base, employment levels have been

static, house price increases have marginally outstripped those for the city as a whole and the area is marginally less deprived in 2007 than it was in 2004. Property indicators reveal a mixed picture. Office rental and retail yield trends suggest that the centre's relative attractiveness as a shopping and commercial centre has improved. Yet retail rents decreased during 2001-8, suggesting that parts of the city centre may have suffered from the Westfield development.

- 5.15 Derby has a relatively healthy economy in terms of productivity and earnings and should benefit from growing student numbers. The city is catching up in terms of firm formation with regional and national rates. Nevertheless, it faces challenges of maintaining its competitive advantage and ensuring that its residents are in a position to take advantage of higher-order job opportunities in its leading companies, as the city has relatively high levels of worklessness and of people without formal qualifications.

The overall effectiveness of Derby Cityscape

- 5.16 We reviewed Cityscape's overall performance in terms of the appropriateness of the Masterplan strategy, realisation of objectives, partnership working and its impact and added value.
- 5.17 Cityscape's strategy, set out in the Masterplan which was not approved until a year and half after it was set up, identified and addressed the main forms of market failure and underperformance in the city centre. But it did not sufficiently specify the roles and responsibilities of key actors, deliverability of proposals or physical and other links between key projects. The Masterplan rightly targets underexploited parts of the city centre. But its proposals for those areas are ambitious and only likely to be achievable in the mid- to long term.
- 5.18 Cityscape and partners have made good progress in attaining Masterplan objectives. There has been a step change in retail, office and residential development activity. However, increased planning approvals have yet to translate into office and residential development on the ground. Many Cityscape projects have sought to create attractive living opportunities. A combination of the Masterplan, Cityscape and partners' schemes, improvements to the city centre cultural and leisure offer and better marketing have increased residential development, although many schemes have yet to materialise. Progress has been checked by complications surrounding residential and mixed use schemes, shortage of land, tough market conditions and the need to further enhance city centre cultural and leisure attractions.
- 5.19 Cityscape and partners have vastly improved the city's commercial offer and three quarter of a million square feet of floorspace is now in the pipeline. The major sticking point is developers' reluctance to construct on a speculative basis and the need to secure major pre-lets. Derby's retail offer has been significantly enhanced by Westfield. Cityscape has sought to buttress traditional retail areas through public realm improvements and a mixed use scheme. But more needs to be done on this score. And the Masterplan proposals to enhance the city centre's civic function are being finalised but have not been implemented.
- 5.20 Derby's tourism offer is better than it was. Cityscape has supported and helped shape two new hotel developments, is helping to create high quality public spaces and links and has played a part in the development of the Quad arts and media centre. The closure of the Playhouse has been a blow, though it is reopening for a six month trial period. Cityscape has pressed for greater investment in the city centre's public realm

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and this is now happening. The URC has also raised design standards through holding design competitions, encouraging developers from outside the city to get involved in Derby and staging workshops. Its schemes have encouraged improved access to the city centre and within it.

- 5.21 The extent to which Cityscape has ensured all sections of the community benefit from city centre improvements is hard to judge. However, widespread engagement of local organisations and interest groups in the Masterplan, its balanced package of measures and the access improvements already noted show that it has positively addressed such equity concerns.

Strategic Added Value

- 5.22 Derby Cityscape has generated various kinds of strategic added value through:
- exercising a lead role in terms of Masterplanning, championing high design standards and realising the city's latent development potential;
 - performing an influencing role in terms of raising sights, aspirations and city profile;
 - leveraging additional resources and capacity from partners and higher standards from developers;
 - bringing together different partners to ensure a joined-up approach;
 - engaging key stakeholders to raise collective awareness of the Masterplan's proposals and interconnections with other plans.

Table 5.2: Strategic Added Value of Derby Cityscape

Strategic leadership and catalyst	<ul style="list-style-type: none"> • Masterplan diagnosed reasons for city centre underperformance, generated strategic vision for city centre, came up with a balanced package for addressing its weaknesses and provided a framework for, and confidence to, the private sector • Championed good design, importance of public realm • Raised profile of under-exploited parts of city centre • Maintained partner focus on key projects through co-ordination, progress chasing
Strategic influence	<ul style="list-style-type: none"> • City Council has taken on board many of Cityscape concerns relating to quality of planning applications for new development • Helped to attract more external developers, architects to work in city • Raised Derby's profile and publicise regeneration opportunities • With Marketing Derby, helped to raise Derby's profile and awareness of Derby as an attractive investment location • Persuaded various city council departments to recognise importance of good design • Hoardings have raised aspirations, challenged some popular perceptions
Leverage	<ul style="list-style-type: none"> • Procurement of additional resources for priority projects • Improvements in design, specification of new developments • Secured greater partner commitment to progressing key projects
Synergy	<ul style="list-style-type: none"> • Project groups (and feasibility studies) valuable in bringing together different disciplines, strategy and operational staff, helping to ensure Masterplan compliance, comprehensive joined-up approach and necessary compromise • Derby Rail Station Partnership is an effective body containing all key players
Engagement	<ul style="list-style-type: none"> • All key strategies have featured extensive stakeholder consultation which has improved the quality of the end product and built trust • Awareness-raising events have more closely engaged key stakeholders and clarified Masterplan vision, partner expectations

Partnership working

- 5.23 Cityscape has generally maintained good relations with its core partners (DCC, EP and emda). However, it has taken EP and DCC in particular time to devote the necessary financial and human resources to its projects, especially given other commitments. This stemmed from several features: an initial lack of clarity about respective roles and responsibilities; lack of staff capacity; practical difficulties surrounding land acquisition; securing scheme viability and public funding and compliance with the planning framework.
- 5.24 Most partners argued that Cityscape has a well run, competent team. But it needs to enhance delivery capacity. Stakeholders were complimentary about the Board. Nevertheless some argued Cityscape must communicate more clearly to senior public and private stakeholders its precise role and achievements. Some expressed reservations about developers sitting on the Board.
- 5.25 Cityscape has played a valuable part in addressing the root causes of city centre underperformance and laying solid foundations for future success. Through Masterplanning and marketing it has begun to create the necessary context and framework for private sector investment. More externally-based developers and architects now work in the city centre. Cityscape has acted as a design champion and raised the bar. Cityscape has played a part in improving the city centre. But many other factors have also been important such as national economic and policy trends and the actions of other public sector organisations and the private sector.
- 5.26 In its projects, Cityscape has added value by providing vision, focus, co-ordination, levering additional resources, unlocking the potential of underexploited areas, undertaking necessary groundwork and championing the Masterplan. However, Cityscape's programme has taken time to gain momentum. This was partly because it was introduced into a tough context since the city centre had not previously been a leading policy priority. Also Cityscape did not have the benefit of an up-to-date planning framework. It did not have land or financial resources. Nor did it have the prospect of early wins since its key projects were medium to long term propositions. However, lack of internal capacity and on occasions insufficient progress chasing by the URC have played a part.

Delivery challenges and capacity issues

- 5.27 Derby Cityscape has experienced some delivery challenges and capacity issues, some of which were beyond its immediate control. These include:
- a slow, faltering start in terms of its own staffing and the staff resources devoted to it by partners;
 - initial uncertainty about division of responsibilities and roles between DCC and Cityscape;
 - obtaining funding from partners has proved challenging and it took time for the council to devote significant additional financial and human resources to Cityscape-related business;
 - the core Team is quite small, given the size of some of the projects it is leading or contributing to and it has not been able to use secondees from partner organisations;

- many Masterplan aspirations had to be tested by commissioning wide-ranging feasibility studies and also depended upon getting the necessary funding which, in some cases, led to implementation plans being significantly changed;
- Masterplan proposals have also not always accorded with property owners' wishes;
- problems surrounding land acquisition including the requirement to pay market values, the constraints of resource accounting and complications surrounding compulsory purchase;
- contractors going into liquidation and uncertainties about other parties' position on key projects, capacity and pace of delivery.

Overall assessment

5.28 The review showed that Derby City Centre is in better shape physically and institutionally than five years ago and Cityscape has played a significant part in this. Although impact on the ground is limited, the foundations are being laid for future development and growth. Cityscape has begun to help realise Derby City Centre's considerable potential. Cityscape has played an important role in addressing the underperformance of Derby's city centre:

- Its Masterplanning and marketing efforts have begun to create the context and framework for private sector investment and more externally-based developers and architects now work in the city centre than before;
- It has acted as a design champion and raised design standards;
- with partners, it is successfully addressing Masterplan objectives, though it still has some way to go before it fully meets them;
- it has undertaken a lot of strategically important groundwork including land reclamation and land acquisition and feasibility studies;
- it has demonstrated added value in numerous ways in its projects.

Looking ahead

5.29 In terms of delivery, momentum and capacity must not be lost. Cityscape and partners face some outstanding challenges as well as some new ones. So far, some projects envisaged in the Masterplan have materialised, others have not. Westfield Derby has proved a boon in many ways. But it has also highlighted the urgent need to underpin the central and northern parts of the city centre. Partners at one stage had an opportunity to purchase the Duckworth Square site. Instead they opted to support the Derby College's Round House project. This was a missed opportunity. The credit crunch will affect some projects given their intended location, land use mix, delivery timescale and balance of risk and return. It may also throw up opportunities such as cheaper land acquisition and more competitively priced tenders. Greater clarity about flood risk and sustainability requirements may make some projects more expensive and riskier.

5.30 For all these reasons, it is a good time to revisit priorities, refocus and clarify who should do what in future. High-level champions and key partners should recommit to helping Cityscape fulfil its brief. Some aspects of the Masterplan need to be revisited such as regenerating the run-down central part of the city centre and integrating the north and south of the city centre. The fringe areas not in the original Masterplan could also be taken into its orbit. The cultural and leisure offer must be strengthened if the city centre is to become an exciting place and Cityscape aspirations for city living are to happen. Partners should exploit the city centre's tourism potential given

the Peak District and the Derwent Valley Mills World Heritage Site. They will need to keep up the efforts to attract inward investment and pump prime the office market. Access into the city centre is better but circulation still needs improving. Public realm improvements have helped. But they could be better integrated into a bigger picture as the Sheffield URC has done so successfully with Sheffield city centre.

- 5.31 The review has identified many achievements of Cityscape and shown how and where it has added value. However every organisation could improve. Its programme has taken time to gain momentum partly because it was introduced into a tough context - the city centre had not previously been a policy priority, the lack of an up-to-date planning framework, land and financial resources and project quick wins. But it was also due to lack of internal capacity and insufficient progress chasing on the URC's part. Equally, however, this evaluation has shown that partners must collectively address certain weaknesses if Cityscape is to work to its full potential in future. Many are interconnected. A more general lesson is that since URCs heighten local expectations and are expected to achieve significant results fairly quickly without direct powers, it is absolutely vital they have the necessary financial and human resources and receive strong support from partners from the beginning.
- 5.32 We make the following recommendation about things that the Board and partners might have done differently if Cityscape was to have achieved even more. We put them in bullet point to emphasise:
- Partners should have got the Masterplan in place at an earlier stage.
 - The URC should have been given more means to make a strong start – land, planning framework.
 - Partners should have got financial and human resources sorted out and aligned early on.
 - Partners should have established scheme feasibility and risks at an earlier stage.
 - Partners should have been clearer at an early stage about the implications of having a URC and should have secured greater buy-in and champions at the senior level.
 - There should have been more effort to ensure good understanding of each partners' requirements, constraints – ensure project management capability/skills from outset.
 - Partners should have been more realistic about timescales – only promising what could be delivered.
 - The programme should have contained a mix of short term, medium term and long term wins. Most of the projects which Cityscape leads are long term and challenging.
 - Partners should have more clearly communicated Cityscape contribution and where it has made a difference, not just talked generally about city centre developments.
- 5.33 These comments are made with hindsight. They are not meant to detract from the value that Cityscape has brought which we have outlined at some length. But their implications should be kept in mind as Cityscape moves forward and as partners in Derby plan new governance and leadership arrangements for economic development, as we underline in the final part of this report.

6. NOTTINGHAM REGENERATION LIMITED: PERFORMANCE AND PROSPECTS

- 6.1 NRL was really a URC before the idea was invented. It evolved from its predecessor the Lace Market Development Company which had been in existence for almost ten years and had achieved substantial success in that part of the city. As the Lace Market redevelopment slowed down and the market took over, both the City Council and LMDC felt that the impetus should not be lost and that LMDC's expertise should be exploited in wider city regeneration. In 1998, NRL was set up as a not-for-profit company on the LMDC model with the Chief Executive and key Directors transferring to the new organisation. The intention was to 'secure the overall economic, social and environmental regeneration of the City of Nottingham and the Greater Nottingham Area' through land, infrastructure and property development.
- 6.2 NRL had been operating for two years when Lord Rogers Urban Task Force recommended the establishment of what became URCs. Indeed, NRL was involved in the consultations informing the White Paper that set URCs up. The NRL Board did consider pressing its case to be endorsed as a URC. It decided, on balance, not to do so as it saw no significant advantages from having formal status. It felt that it already met the requirements identified by government and was acting as a de facto URC. There was also a concern that the proposed URC emphasis on tightly defined regeneration areas in the city centre was too restrictive at a time when it was looking towards operating across the conurbation.
- 6.3 NRL continued, therefore, to evolve as regeneration delivery vehicle without formal URC status. Many stressed the organisation's local history and roots dating back to the late 1980s and the redevelopment of the Lace Market district. NRL evolved naturally and was not perceived as having been 'parachuted in' – developing strong local networks and partnership working in the process.

Why was NRL needed?

- 6.4 When NRL was set up, the Nottingham conurbation had emerged from the early 1990s recession relatively strongly. Between 1991 and 1998, the number of jobs in the city had increased by nearly 18% – the highest rate of growth of any city in the country. This strong overall growth in employment was set against the backcloth of a continuing sectoral shift from manufacturing to services, especially financial, professional and public services. The decline in manufacturing had been more gradual and the development of growth sectors more rapid than in Northern city-regions. Indeed, some argued that the fact that the city had not experienced a traumatic restructuring of its employment base had led to some complacency in terms of regeneration activity. When it was set up, NRL was faced with the continuing physical regeneration demands of sectoral change. LMDC had shown the way in the Lace Market District. The soon-to-be designated Regeneration Zones - Eastside, Southside and Waterside - offered new challenges. In its latest Business Plan, NRL recognises that since most of Greater Nottingham's traditional industries were at the "lighter" end of the industrial spectrum they have not left a legacy of large contaminated brownfield sites. It argues that the conurbation does not contain areas suffering from wholesale urban decay and blight. Nevertheless, while overall employment growth is strong, there remain neighbourhoods in the city suffering from persistent low economic activity rates and poverty. There is also a growing concern that the level of development activity in the city-region is lagging behind that in other Core Cities.

- 6.5 The development challenges still facing Nottingham are outlined in NRL's current Business Plan as:
- a lack of high quality, accessible serviced employment land;
 - a shortage of good quality, readily available employment space in both the office and manufacturing sectors;
 - a shortage of employment space for SMEs in areas of higher than average unemployment (priority areas);
 - the lowest prime office rental levels of any UK Core City;
 - prime locations occupied by secondary/tertiary low value uses;
 - an unbalanced housing market within the Nottingham city area;
 - poor connectivity in parts of the conurbation;
 - piecemeal development in key areas undermining the potential for comprehensive redevelopment;
 - the need for investment in many town and district centres;
 - higher than average rates of unemployment in the priority areas.

How well has it performed?

- 6.6 The separate report on NRL spells out in detail how it has performed. We report the key messages here. We begin by looking at the strategic objectives the company set itself and ask how well it has realised them. The broad answer is that it has made progress on virtually all of those objectives.

- 6.7 *Objective 1: To make the best use of sites and buildings and add to the Greater Nottingham 'offer':*

NRL successfully achieved this through a combination of direct developments, its championing of and consultancy for the development of identified sites and buildings and its commissioning of master plans and feasibility studies to provide the framework for planning guidance and the eventual re-use of key sites and buildings.

- 6.8 *Objective 2: Bring in the maximum amount of private sector investment into physical regeneration and where necessary, supported by public sector funding:*

This is a medium and long-term objective. The leveraging of private sector funding so far, although not insubstantial has been relatively low. This partly reflects NRL's relatively conservative measurement of the private sector developments that it has influenced and partly that progress in the Regeneration Zones, although it has substantial private sector investment in the pipeline, has yet to materialise.

- 6.9 *Objective 3: Ensure that improvements to the environment, jobs, and social benefits are created from regeneration activity:*

NRL's Employment Floorspace projects have created jobs in priority neighbourhoods and the social benefit of providing physical investment in previously derelict land in these neighbourhoods.

- 6.10 *Objective 4: Resist piecemeal schemes which cherry pick the best opportunities and promote comprehensive development:*

The promotion of comprehensive redevelopment schemes for the Regeneration Zones has underpinned NRL's approach, sometimes controversially, but justifiable for what are long-term redevelopment projects.

6.11 *Objective 5: Champion high quality mixed use schemes which set new standards of design in buildings and the space around them:*

Championing of mixed-use development runs through NRL's approach and can be seen very clearly in the Masterplans for the Regeneration Zones, the Southside Development Prospectus and the Sneinton and Gateway Eastside Neighbourhood Plan. There are developments already in place, promoted by NRL, that physically embody achievement of the objective (notably Canal Street and Waterfront Plaza) and 11 of the company's 21 ongoing catalytic regeneration projects are based on what are designed to be high-quality mixed-use schemes. NRL's commissioning, with the City Council, of the City Centre Design Guide also shows its championing role in relation to building design and standards. The company has also run design and development competitions emphasising design quality for individual developments in the Regeneration Zones including Meadows Gateway (Southside) and Trent River Park (Waterside).

6.12 *Objective 6: Ensure that employment schemes are linked to local job opportunities:*

Assessing this is more problematic given NRL's focus on physical regeneration schemes and its lack of direct engagement in the city region's employment and skills agenda. There is a need for better coordination of the city's employment and social agenda and physical regeneration.

6.13 *Objective 7: Form strong partnerships with the private sector and key public sector organisations:*

NRL has engaged well with the private sector. Through NWL it had helped to broker the Isis-English Partnerships joint venture in Trent Basin and its one-to-one discussions with local developers and businesses affected by development proposals overall have been positive. It has recently set up the Nottingham Property Forum which brings together interested developers from the city and region. Similarly, it has developed strong relationships with its public-sector funding partners.

6.14 *Objective 8: Promote Nottingham at international, national and regional level:*

Although a relatively recent objective, NRL has made good progress in achieving it through its marketing and communications activity (including, notably, attendance at MIPIM and various regional and national regeneration events) and the publication of its *Regeneration and Investment* magazine. It has also exceeded its targets for positive media coverage. The Regeneris Physical Regeneration study recommended that NRL should take a more active role in developing promotional activity and NRL has already responded to this by forming the Nottingham Property Forum.

6.15 We reviewed 5 projects in some detail. The following table identifies the contribution and benefits that NRL added in each case.

OVERALL REPORT TO STEERING GROUP

Table 6.1: NRL's Project Added Value

Theme/ Projects	Added Value
Employment Floor Space	<ul style="list-style-type: none"> • filling a gap in local authority resources and capacity • organising feasibility studies and facilitating construction work as development agent • bringing knowledge of grant funding regimes and development process and expertise in Project Management.
Growth Point	<ul style="list-style-type: none"> • coordinating role, bringing different partners together • filling resource and capacity gaps for local authorities • providing strategic, outward looking view • bringing experience of running projects and track record of bidding for funding • acting as "good, honest broker" and helping to build consensus across partners • acting as a go-between between the Local Authorities and the consultants, making the study process easier for both • bringing knowledge of Trent Strategic Flood Risk Assessment (fundamental to the development of Growth Point) • simplifying and speeding up the process • providing "resources, impartiality and knowledge" • strong team demonstrating good partnership behaviour
Science City	<ul style="list-style-type: none"> • involvement late but strategic • leadership role (Chief Executive sitting on the Science City Board and chairing the newly formed Infrastructure Group) • developing range and coordination of different property offers and providing the overarching framework for future developments • bringing planning and property development expertise of team to Science City programme • positive intervention with Rolls Royce at Hucknall (along with emda, GNP and Nottingham County Council) strengthening conurbation
Town Centre Regeneration	<ul style="list-style-type: none"> • providing expertise and capacity that was lacking (and with significant value for money) • bringing experience of working on Masterplans in its Regeneration Zones and helping to provide development packages that could be put out to the market that minimised the chances of developers 'cherry-picking' sites
Waterside Regeneration Zone	<ul style="list-style-type: none"> • strategic leadership: establishing NWL, coordinating and driving planning for the RZ, holding the line on comprehensive redevelopment • with NWL, bringing together English Partnerships, emda, the City Council and ISIS to put in place a major redevelopment scheme and encouraged EP to play a leading role as land owner/developer and gap funder/ enabler (Trent Basin) • acting with NWL as an intermediary with the private sector – separate from the local authority – pulling in private sector expertise through its Board • helping in the production of a Detailed Procurement Brief (the first ever for Nottingham) (Trent Basin) • with partners putting together a planning and development framework and acting as Project Champion role (Meadow Lane/ Eastcroft) • linked development activity in the RZ to wider conurbation developments (Trent River Park) • key driver in getting partners together, getting a package of support, coordinating bids and getting collective agreement on what was to be done (Trent River Park) • helping to broker local authority agreement where there are inter-authority issues (infrastructure projects) • acting as a regeneration intermediary for transport projects • helping to access regeneration funding (infrastructure projects)

How do its partners judge NRL?

- 6.16 There are some clear headline messages on this. There is a broad consensus that NRL adds value to the area. The team and Board are well regarded by partners. It has recovered from a dip in fortunes in recent years. However, there are concerns that NRL has had inadequate funding in comparison with other URCs. Also it operates in shifting sands as partners in Nottingham have still to determine the future institutional arrangement for economic governance and leadership in the region. The Board and team need greater clarity and commitment from partners about the future – and NRL’s potential role in it.

Local product – started well, drifted, but back on track

- 6.17 NRL has demonstrated a good understanding of the local context in which it operates – being built on strong local foundations. It is very much a ‘local product’. It clearly sees its role as a developer of last resort and recognises social-spatial exclusion in the conurbation and the need to locate employment in priority neighbourhoods. NRL began to lose some focus and direction in the mid 2000s and needed to redefine its relationship with partners and its overall role. The loss of the company role as direct developer of last resort and shift to a more strategic, facilitating and enabling role, and to wider conurbation working, had blurred for a time NRL’s profile. This has been addressed by the new Chief Executive, a strengthened Board and a new business plan. It has done this by grouping strategic objectives into four key work themes, clarifying roles across development projects, prioritising a core group of catalytic regeneration projects and introducing a more robust performance management system.

- 6.18 *Providing a private-public sector interface*

NRL has provided a public-private sector interface that has generally been lacking and its existence did lessen the tensions that can arise between business and the local authority. The pro bono involvement of private sector interests on the Board was also seen as strength.

Conurbation working

- 6.19 This is one of NRL’s great advantages. Greater Nottingham local authorities were particularly supportive of NRL’s conurbation work. NRL’s consultancy role in Town Centre Regeneration has filled gaps in resources and capacity. Its ‘honest broker’ role in Growth Point is valued. Its role in positioning city-based regeneration activity in a wider sub-regional context – notably in relation to flood risk assessments and infrastructure projects – adds value.

Communication with stakeholders and the local community

- 6.20 NRL has developed a range of engagement mechanisms with stakeholders but, given resource issues, engagement has largely been through third parties. Unlike the first round of URCs, NRL has no funding for a dedicated community engagement strategy or function. While NRL staff have been involved in some direct consultation with residents on individual projects, this involvement has been relatively ad hoc and small scale. The main thrust of community engagement has again been through third parties and specific project commissions. There is an example of good practice here in the community engagement work currently being undertaken as part of the Sneinton Market redevelopment in Eastside.

Not the city centre

- 6.21 NRL does not work in the city centre, which remains firmly in the City Council's remit. It was felt that this has lessened NRL's role. It could not question, for example, the development of city-centre apartments or relate the impact of such development on residential proposals for the Regeneration Zones. Nor are there any mechanisms by which it can capture some of the value uplift in the city centre and link this to developments in the Regeneration Zones.

Capacity

- 6.22 There are some concerns over NRL's resources being overstretched and the danger of its activities being "spread too thinly". Taking on lead responsibility for the three Regeneration Zones – with no increase in staffing – inevitably raised capacity issues for the company. The three Regeneration Zones together cover 196 hectares compared, for example, with Derby Cityscape's overall operational area of 140 hectares. Staff are also understandably concerned about resource pressures, especially as the company works in a cycle of peaks and troughs and is staffed for the latter not the former. And there are growing pressures to meet funding regimes with more demanding deadlines and timescales. There is also a pressure to generate consultancy income. NRL has responded to these capacity concerns by including two new staff posts in its latest Business Plan (2009-2011).

The balance sheet - what is NRL's strategic added value?

- 6.23 NRL has brought the following kinds of added value to the area:
- strategic leadership;
 - filling resource and capacity gaps;
 - developing trust and partnership working (as an 'honest broker'); leveraging project funding;
 - promoting a conurbation-wide perspective;
 - a clear advocacy role;
 - strategic leadership in relation to the development of Nottingham's land and infrastructure and its focus on priority neighbourhoods;
 - by establishing NWL, which brought a governance structure to the largest and most complex Regeneration Zone;
 - refreshing the governance of Science City by its lead role in the Infrastructure Group;
 - influencing the regeneration agenda through the commissioning of Masterplans, feasibility studies and implementation plans, engagement in strategic bodies and coordinating conurbation-wide initiatives;
 - leveraging funding with its objectives and priorities closely aligned to those of its key funders;
 - providing synergy through joint working with a range of partners at city and conurbation levels;
 - commissioning stakeholder engagement exercises and direct engagement with the private sector, including its lead in the newly established Nottingham Property Forum.

Table 6.2: NRL's Overall Strategic Added Value

Dimensions of strategic added value	Contribution
Strategic leadership and catalyst	<ul style="list-style-type: none"> • Board acting as city champions. • Advocacy and an independent voice. • Lead development role for Regeneration Zones. • Creating NWL to lead redevelopment in Waterside Regeneration Zone. • Promoting development in priority neighbourhoods. • Lead role in Nottingham Science City Infrastructure Group.
Strategic influence	<ul style="list-style-type: none"> • Helping to set the land and infrastructure regeneration agenda. • Commissioning Masterplans, Feasibility Studies and Implementation Plans. • Engaging in GNP through Infrastructure SAT. • Supporting Growth Point programme. • Engagement in Strategic Flood Risk Assessments.
Leverage	<ul style="list-style-type: none"> • Key role on leveraging funding for Employment Floorspace projects and key catalytic regeneration projects in the Regeneration Zones, city-wide and conurbation-wide. • Aligning objectives and priorities to those of key funders (in, for example, RES, Sub-Regional Investment Programme and Urban Action Plan) to maximise potential funding. • NRL projects have generated £33 million in public and private investment (84% public and 16% private) up to 2006. • Between 2007 and 2010 it estimates that NRL project spend will be in the order of £55 million.
Synergy	<ul style="list-style-type: none"> • Joint working with partners on key projects. • Supporting Greater Nottingham Local Authorities' work for Growth Point. • Working with Greater Nottingham Local Authorities on town centre regeneration. • Working with Greater Nottingham Local Authorities, local regeneration and government agencies on Trent River Park.
Engagement	<ul style="list-style-type: none"> • One to one engagement with private sector involved in, or affected by development proposals. • Commissioning stakeholder engagement (e.g. City Centre Design Guide) and engagement with residents and local community groups over development proposals (e.g. over the Sneinton and Eastside Gateway Neighbourhood Development Plan).

Future Challenges for NRL

6.24 NRL faces a number of challenges relating to governance, focus and activity, performance management operational geography, partnership working, resources and positioning itself in the new institutional landscape that will be created by the SNR.

Governance

6.25 It is important that a new Chair is appointed with good local knowledge and an awareness of the regeneration challenge and the role that a URC can play in meeting it. He/she also needs to be aware of the regeneration challenge and able to command respect across the economic development and regeneration sector. NRL has also recognised the need to refresh its Board membership and the last couple of years have seen the introduction of new members from Nottingham University, the Greater Nottingham Local Authorities and property sector. Terms of attendance have also been introduced to encourage Board turnover. It would seem appropriate for the

Council to include its Chief Executive in its representatives given the potential shifts in the sub-regional economic development and regeneration landscape.

Focus

- 6.26 There are some concerns over whether NRL has been too ad hoc in its activities and insufficiently strategic. But it has to be understood this is a consequence of its limited funding. NRL has widened its activities beyond its original core remit – for example into consultancy and advisory work - in order to generate the funds to sustain its core team to undertake its core activities. This work has been well received. However, fundamentally this is unsatisfactory for the organisation and the team. In future funding partners need to review whether they are providing adequate support for strategic activity rather than encouraging more ad hoc activity.

Marketing Nottingham

- 6.27 NRL has increased its marketing activities substantially in the last couple of years and it needs to maintain this momentum. NRL recognises that there is still more to do in terms of communications. A recent report on physical regeneration recommended that NRL should lead on developing more meaningful engagement with the development community and NRL has subsequently set up the Nottingham Property Forum. This has resource and budget implications.

Promoting High Quality Design and Sustainable Development

- 6.28 NRL review to focus on this theme to ensure integration with the City's activities in this area. Again, the credit crunch and economic downturn have served to reinforce the importance of quality design and the sustainability of physical development.

Commissioning Masterplans, Feasibility Studies and Implementation Plans.

- 6.39 Commissioning Masterplans, Feasibility Studies and Implementation Plans has been a key element of NRL's added value. Although the need for Masterplans will inevitably decline there will be a continuing need for studies and implementation plans as the wider city and city-regional regeneration programme develop. Given its expertise, NRL appears well placed to act as a central commissioning body for these studies and plans. This again has resource and budget implications.

Performance management

- 6.30 NRL has been relatively weak on financial and performance management in the past. But in the last two years it has significantly strengthened both its financial and performance management functions. This should be maintained.

Partnership working

- 6.31 NRL has developed, on balance, very strong partnership working and it needs to ensure that this is sustained. This need is intensified in current circumstances so partnership working must be supported and sustained through the economic downturn.

Resourcing and capacity

- 6.32 Resourcing has been a longstanding issue, not least between the funding partners. This is compounded by the issue of the accommodation given by the Council as part of its in-kind support. NRL offices are in council accommodation. They offices are not adequate for NRL's effectiveness and image.
- 6.33 NRL is in the process of appointing a new Chair and the Board has been refreshed. The new Chief Executive has brought what is widely recognised by stakeholders as a new dynamism to its activities. The expertise of the staff team is also widely praised by stakeholders. It is, however, a small team and there are some capacity issues in relation to the demands of the work programme. It has acted to address these concerns in its latest Business Plan (2009-2011), which identifies two additional staff posts. NRL has had ten years funding from these partners but there is tension between them over relative contributions and future funding is only currently guaranteed for different short-term timescales. Longer-term funding would strengthen NRL along with improved accommodation.

Future challenges for Nottingham

Improving economic underperformance

- 6.34 Although Nottingham has many economic assets, some stakeholders are concerned that its relative economic performance in relation to other core cities and other towns in the region had slipped of late.
- 6.35 Our review of recent social and economic change showed that, while there have been some positive developments in Nottingham's economic performance – notably strong growth in population, output and productivity – substantial challenges remain:
- Moderate employment growth and low employment rates.
 - The city's employment rate continues to lag behind the rest of the conurbation, the region and nationally and has seen little improvement over recent years.
 - Unemployment has remained consistently higher, particularly in the city centre, compared with conurbation and region.
 - There are variations in skill levels. The proportions of people qualified to NVQ Level 4 in the city lags behind national and regional levels as does the number of people with no qualifications.
 - The retail sector remains strong but retail rents remain low in Nottingham compared with other leading English cities.
 - Prime office rents also remain low in Nottingham compared with other major English cities, and the rate of increase over recent years has also been low.
 - Although house prices in the city doubled between 2001 and 2008, they remain considerably below national levels.
 - The indices of deprivation show that Nottingham and the regeneration areas have improved fractionally in terms of their deprivation ranking 2004-2007. However they remain among the most deprived places in England.

The credit crunch

- 6.36 There are concerns about the potential impact of the credit crunch on the city and its regeneration efforts. The time is ripe for reviewing existing development proposals in the light of the market downturn.

Over-governed and under-led?

- 6.37 There should be a clarification of roles and responsibilities across partnership bodies. This need is reinforced by the SNR process. Concerns about too many partnerships are underpinned by concerns that the city and conurbation are 'over governed and under-led' - compounded in the case of the city by the rapid turnover of Chief Executives in the City Council. It is to be hoped that the recent appointment puts an end to that uncertainty.

Boundaries

- 6.38 Conflicts over city council and county remits have had a negative impact on regeneration. They will do so in the future until there is some resolution of large and difficult political and administrative issues. Most stakeholders favoured a conurbation-wide approach for economic development and regeneration, no matter how difficult this would be to secure politically.

Clarity and leadership on economic development

- 6.39 Partners want more clarity, less overlap, more leadership and more action on economic development in the city.

A new economic development vehicle?

- 6.40 There is substantial demand for a powerful economic development vehicle for Nottingham even if there remain a variety of views still about its potential coverage, powers and boundaries. Most stakeholders want a conurbation wide approach, which raises political issues. There are also differences about whether there should be a new organisation on a clean sheet of paper or whether existing organisations should be merged, strengthened or developed. There are a variety of views on this and perceived advantages and disadvantages to both options. On balance, there is greater support for the view that a new vehicle is necessary. Nevertheless, it is crucial that the capacity that has been built up through NRL must not be lost. It should make a major contribution to any new organisation. It should draw upon NRL's team and expertise as much as possible.

7. WHAT DO THE MOST SUCCESSFUL URCs LOOK LIKE?

- 7.1 NRL and Derby Cityscape have brought a variety of benefits to their respective territories. We have outlined them in detail in earlier sections. We also identified some limitations which need to be addressed. We summarise them briefly in the table below.

Table 7.1: Balance sheets

Balance Sheets Derby Cityscape and NRL			
Strengths		Weaknesses	
Derby Cityscape	NRL	Derby Cityscape	NRL
<ul style="list-style-type: none"> • Masterplan diagnosis, vision, custodianship • Focus on city centre • Project co-ordination • Tapping potential of neglected parts of city centre • Championed quality design, public realm and raising standards • Procured additional resources • Promoted partnership working • More closely engaged EMDA and EP • Raised Derby's profile • Helped increase developer confidence/interest and persuaded them to invest in city centre for first time 	<ul style="list-style-type: none"> • Locally rooted with history of successful regeneration • Good partner relations developed over time • Independence in a challenging political context regionally • Strong team, well regarded locally • New Chief Executive and refocused Business Plan • Strategic role in Science City and Regeneration Zones • Masterplanning and feasibility studies • Recent marketing and communications activity • Promotion of high quality urban design 	<ul style="list-style-type: none"> • Slow start: masterplan, planning framework, human/financial resources not in place, partners not geared up or clear about division of responsibilities • Lack of land - difficulties surrounding land acquisition • No direct powers - dependence on partners, co-operation of landowners • Lack of early wins • Lack of drive and momentum at times • Lack of delivery, insufficient capacity/resources • Scope for closer engagement of city centre landowners 	<ul style="list-style-type: none"> • Strong Board but (apart from brief period) non-inclusion of City Council Chief Executive a concern • Relatively modest funding • Small staff team in early years • Loss of drive and momentum for a while but now back on track • Exclusion from city centre planning and development • Not linked to employment and skills agenda – need for greater coordination • Performance Management – now addressed

7.2 So Cityscape and NRL have both done much but could do more. But how do they compare with the most successful URCs? These were probably the URCs that were piloted in three Core Cities: Liverpool Vision, New East Manchester, and Sheffield One. Liverpool Vision and Sheffield One focussed on their city centres while New East Manchester covers a large run-down residential and industrial area immediately to the east of Manchester city centre. These first URCs attracted greater resources than their successors and operated in a largely supportive political economic environment. Two have subsequently gone on to become EDCs - Liverpool and Sheffield - and Manchester acts as one of the city's four overarching Regeneration Frameworks. They are different animals to their smaller successors. Arguably they had greater political and financial support from the founding partners, greater public visibility, greater impact on their territories and greater consensus about their contribution to improved local decision-making.

7.3 Our evaluations of the three pilot URCs underlined their relatively privileged operating conditions against the background of very demanding economic, political, organisational, cultural and physical challenges. They have all proved able to meet their agreed outputs and targets and have delivered key projects (with more in the pipeline). Social and economic conditions in their areas have been improved and there is evidence of community benefits and general public approval of their activities. In their different local contexts, all three have been successful. What were the characteristics of success?

New East Manchester

- 7.4 New East Manchester brought together a range of regeneration programmes - New Deal for Communities, Education Action Zone, Housing Market Renewal Pathfinder and Urban Regeneration Company. It was also firmly positioned in well established and highly developed economic development machinery in the city as a whole, which worked well for a number of reasons:
- Political and institutional stability and continuity has meant that there is a close understanding between leading members and officers and excellent networking between the key organisations.
 - Within the City Council, the economic development function is executed by the Chief Executive's Department and both the Leader and the Chief Executive take a close interest in major regeneration schemes. This breeds private sector confidence and helps to ensure that the authority adopts a joined up, private sector friendly approach.
 - Some economic development organisations such as Manchester Enterprises and Manchester Solutions operate at the city region level and handle functions such as inward investment, training and business support. But again there are good, longstanding links between these bodies and the City Council.
- 7.5 The added value that NEM brought was:
- the provision of a clear area focus;
 - quality and speed of delivery;
 - increased partner commitment;
 - greater private sector engagement and investment;
 - greater community engagement; and
 - organisational synergy.
- 7.6 Its critical success factors comprised:
- a supportive economic and policy context;
 - committed partnership;
 - an intelligent relationship with the local authority;
 - an integrated economic, physical and social development programme;
 - a good large team;
 - some early and significant 'wins' - the Commonwealth Games.

Sheffield One

- 7.7 Sheffield One did not have the integrated programme that NEM had and had to position itself in amore complex institutional context. It was part of a step change in local political and institutional cultures. It focused on the city centre and has provided one of the best examples of provincial city 'place making' through its Masterplan and carefully interlinked development projects.
- 7.8 Its added value came from the way in which it:
- raised sights and standards;
 - provided greater synergy;
 - developed partnership working;
 - exhibited deal making skills;
 - engaged with the private sector;
 - provided sub-regional leadership;

- improved design standards and place quality.

7.9 Its success factors included:

- its clear area focus;
- masterplanning;
- good partnership - especially with the local authority;
- good leadership from both team and board;
- strong project and financial management;
- timing and luck with a benign national economic environment, national urban renaissance and extensive European funding.

Liverpool Vision

7.10 Liverpool Vision also focused on the city centre with a decaying waterfront and a run-down business district and retail centre. Like Sheffield it also had a less supportive institutional context than in Manchester. It too was part and parcel of a wider cultural change in terms of regeneration activity. The evaluation we undertook clearly demonstrated that it has transformed Liverpool city centre during the past 5 years. It has changed political and operational relationships between public and private sectors. It has delivered the largest mixed use development in Western Europe. It has significantly increased the retail offer, created a city centre residential market, upgraded the waterfront, improved connectivity and public realm. Most important there is a wide consensus amongst public and private sector partners that those developments would not have happened if Vision did not exist.

7.11 Its added value came from the way in which it:

- provided a vision and a commitment to delivery;
- raised aspirations;
- attracted private sector investment;
- brought in money;
- brokered partnership working and networked with stakeholders;
- focused on the city centre.

7.12 Its critical success factors included:

- a robust national economy;
- a mix of old and new developers;
- strong commitment by partners;
- the strength and commitment of the Board and team;
- extensive public engagement;
- having the right people, right place, right time
- extensive European funding.

7.13 The crucial assets that all three successful URCs was the buy-in of all the founding partners, the willingness of the local authority to let go of control, the recognition that the private sector had a major role to play. Our review has shown that some of those conditions for success have been met in Derby and Nottingham. But some need to be better developed.

7.14 We have undertaken this brief review of the original URCs not to make invidious comparisons with NRL and Cityscape but to underline how much has been achieved by the earlier URCs. However, they did have some advantages as we have indicated. They were the new kids on the block and as a result had more support and resources from their funding partners than did later URCs when there were many more

competing for the same partner resources. In addition both Liverpool and Sheffield had substantial sums of European Objective 1 resources which concentrated peoples' minds and funded many developments in a way that was not possible in Derby and Nottingham. Third they have had more time than Derby and Nottingham to deliver their programmes. This underlines a key point that physical building on the ground often comes late in the development process. The first five years is often planning and little is seen on the ground. Fourth the timing and circumstances favoured the original URCs since they were operating in city centres which had historically underperformed at a time when the national economy was expanding, the private sector was looking to invest and city centres were becoming attractive investment propositions. The challenges facing Derby and even Nottingham are different. The ask in both case was bigger and the circumstances less favourable.

- 7.15 Thus underlines another wider point about the URC model. They do not have separate powers and resources. This was not a real constraint for the first three because they were operating in more favourable economic and financial climates and there were fewer of them. That lack of powers and resources has arguably become more important in the later URCs. This is evident from the Derby and Nottingham experience. It is further underlined by our evaluation work in Sunderland. This does raise questions about the powers and resources that delivery vehicles may need in future especially as the credit crunch and economic downturn will make the challenge of attracting investment to marginal areas, which URCs in the main are supposed to do will become much tougher.
- 7.16 Nevertheless, it must be recognised that the leadership given by the key partners in the first three URCs was crucial to their success. There was evidence of more systematic, committed and entrepreneurial leadership across the three than found so far in either Derby or Nottingham. This leadership came from the funding agencies, the local authority, the private sector and from very powerful URC chairs who remained committed and involved throughout the life of the organisations. And the achievements were more clearly recognised by both funding agencies and the public in the main. There are general lessons Derby and Nottingham can learn from this experience as they contemplate creating new economic delivery vehicles in future.

8. BEYOND URCS TO EDCS: WHO NEEDS TO DO WHAT?

- 8.1 There is a lot of national and local interest in the development of powerful economic delivery vehicles, encouraged by the government's Sub National Review. Many places are considering or developing Economic Development Companies. A network of interested players has been created by government. Several URCs have already moved beyond their initial role of doing physical regeneration to wider social and economic projects. This involves providing infrastructure and an investment framework to accommodate new jobs, homes, health, educational and commercial development. A small number are exploring asset based vehicles. Three URCs - Hull, Sheffield and Liverpool - have formally evolved into EDCs.
- 8.2 Our review has demonstrated that there is considerable support in both Derby and Nottingham for such vehicles. Both places are exploring them. Derby and indeed Leicester have agreed the main outlines of potential vehicles. There is an emerging consensus about roles, relationships, responsibilities and resources. In both there is an apparent willingness to work together by the city and county councils. But the debate in Nottingham is at a less developed stage. There are a number of key issues

to be resolved, especially the leadership and governance of economic development across the city and county. We look at some of the implications below.

What are EDCs supposed to do?

8.3 EDCs could play a number of roles. The government has suggested they could do the following things:

- co-ordinate the economic development and neighbourhood regeneration activities of neighbouring authorities;
- act as lead public sector client for Masterplanning;
- co-ordinate major physical development projects;
- develop and co-ordinate integrated implementation plans;
- co-ordinate delivery of housing market renewal or targeted housing growth;
- co-ordinate promotion, marketing and branding of cities/city regions;
- co-ordinate the bidding for major investments, events and projects;
- advising on establishment of additional investment funds and/or financial vehicles;
- improve the quality of investment propositions;
- co-ordinate the delivery of services to business in cities/city regions.

8.4 The recent government consultation on EDCs showed that most stakeholders endorsed the possible functions outlined above. But the key message was that partners should decide which functions should be included. There was no single model which would work in all places. Options included: alignment of funding; skills and worklessness issues; economic growth; inward investment; strategic marketing; physical infra-structure; innovation economy; sustainable technologies; site acquisition/asset deployment and advocacy. Some thought business support, inward investment and overseas trade services were better delivered regionally. However, good economic intelligence, masterplanning and project management were essential whatever functions EDCs had.

Why might EDCs be valuable for Derby and Nottingham?

8.5 We have found in both places support for the principles of an EDC. A variety of partners in both places believe they could bring many of the following advantages:

- give a clear lead on the future economic vision for the cities;
- see the 'bigger picture' and encourage a more coherent city wide as opposed to project based approach to development;
- better connect development across the city and also the city region;
- encourage a focus upon long term not short term development;
- engage key stakeholders in key decisions about the economic future;
- support the City Council and its leadership;
- give a single voice for and support the marketing of the city;
- attract long term commitment and resources of major public sector partners;
- attract private sector skills expertise and experience;

- give confidence to major external developers and institutional investors that the city was committed to a long term partnerships with a clear vision and business plan;
- speed up decision-making on long term strategic developments;
- encourage a more entrepreneurial, flexible, business friendly approach to development and planning;
- pursue an integrated approach to development and encourage different local authority departments to do the same;
- attract high quality people to the city who would help raise the quality standards for future development.

What makes EDCs successful?

8.6 There is clearly demand in both Derby and Nottingham for new economic development delivery vehicles. However, making such organisations successful is not straightforward. It is easier to set them up than to make them work. What makes them successful? They depend on a variety of factors. We have reviewed the experience of a range of existing economic delivery vehicles in the UK and internationally. What are the ingredients that make for success? EDCs will be more successful when they have the following characteristics:

- they complement and do not compete with existing institutional arrangements;
- they have a Master plan which sets out a compelling strategic vision for the area and gets the backing of key public and private partners;
- their programmes and projects fit well with wider strategies, plans and programmes of partners, so promoting ownership and sustainability;
- they are led by entrepreneurial Boards and staff with the right mix of skills and talents;
- they work to a Business Plan which indicates clearly: what they will and will not do, priorities, timescales, activities and resources;
- they offer incentives and reduce risks to key partners for involvement;
- they receive local authority support with delegated planning powers, fast tracking procedures, land contributions free of ties, which gives them autonomy;
- they have the backing of key partners in terms of pooled land contributions, investment programmes;
- they can assemble land and enter into joint ventures or sale and leaseback deals.
- they involve institutional investors prepared to take a long term, area-based based approach;
- they encourage developers to get involved by carefully handling procurement arrangements and minimising the costs involved;
- they are resourced by a financial model developed in tandem with the master planning exercise so that no revisions are made unless they can be paid for;
- they have revenue support from partners which enables them to recruit a good core team;
- they are backed by a local authority which gets the confidence of the private sector by giving strong political leadership, building cross-party consensus on regeneration priorities and aligning its departmental activities.

How easy is it to move from a URC to an EDC?

- 8.7 The critical success factors outlined above are demanding. How hard is it to get there? It is hard. We have evaluated two successful URCs – Sheffield and Liverpool which delivered more to their patches than perhaps Cityscape or NRL - which have transformed themselves into bigger EDCs. Our evaluation identified some of the challenges those organisations faced as they moved from narrower physical regeneration agencies to wider economic development companies. We rehearse the key messages since we think they will be relevant to partners in Derby and Nottingham as they plan for new successor bodies for Cityscape and NRL. What was our advice to partners?

Tougher economic environment - and bigger ask

- 8.8 Both URCs had to recognise that they would face more challenging economic circumstances and would not have the benign economic environment that they originally enjoyed. Also the challenge of moving beyond physical regeneration to encouraging high value added innovative economic activities was inherently a more demanding task.

Focus or spreading the jam?

- 8.9 Partners would have to address the fact that one of the key reasons for the success of URCs was often their tight spatial focus. Since EDCs will work at larger scales they would need to avoid the spreading of resources too thinly across their territory.

Clarity of purpose

- 8.10 The new bodies must have absolute clarity about their mission and role and their relationships to a range of other organisations operating in their territories. They must have a very clear route map for the early years.

Steering, cheering or rowing?

- 8.11 EDCs will have responsibility for a wide range of functions – economic development, physical regeneration, inward investment. But they will not be able to deliver all those functions directly. Partners will have to do much of that delivery. EDCs will need to determine precisely what they - and what other organisations - will do. Knowing what not to do may be as important as knowing what to do. EDCs may be cheering and steering as much as they are rowing. As a result good political relationships between the partners will be more – not less important – as we move from URCs to EDCs.

Legitimacy and credibility

- 8.12 URCs normally pass the pub test – 'What is this organisation for?' Typically a URC is meant to deliver physical regeneration in a well defined area. The public and partners can see and get it. EDCs have much larger ambitions, territories and activities. It can be difficult to explain to and persuade partners and the public precisely what they will deliver, how and when. Legitimacy needs to be built systematically if EDCs are to work.

Meeting and managing expectations

- 8.13 EDCs will have large ambitions. But they may find it difficult to deliver them in a short time scale. The new organisations will need to manage expectations of what they can achieve. They will need to work with variable timetables and be able to pursue long term goals while delivering some short term wins to show they bring added value to their territories.

Board and Team

- 8.14 URCs are typically as good as the people who run them. In particular the relationships that are built with and between the Chief Executive and Chair of the URC and leader and Chief Executive of the local authority are absolutely crucial. They depend upon those players having extensive 'small p' political skills. The Boards and teams of EDCs will have to operate on a wider set of issues and territories. It is critical that both Boards and teams have the mix of technical and political skills to operate across a wider scene. Also individual qualities will be crucial. The pool of talent in particular places is not endless. But there may be some opportunities presented by the current credit crunch since many professionals will be coming on the market who may have the skills and experiences required to make EDCs work.

So what is the message for Derby and Nottingham?

- 8.15 The sections above have outlined some of the key considerations surrounding the creation of EDCs. However, we underline next several of the most critical success factors.

Conformity

- There is no single model. Each place must develop an organisation that reflects its character, strengths, achievements and idiosyncrasies. It must be home grown and do the job that is needed and wanted in each particular place. EDCs will vary.

Clarity

- There must be clarity about - why the organisation is needed, what it will do and not do, how it will work with partners, where it will operate.

Commitment

- Most crucial there must be commitment to the organisation especially by the local authority but also by key partners. The essence of all these organisations is that they are political agreements based upon trust. The institutional arrangements are a secondary consideration. If political trust and commitment do not exist the organisation will not work effectively.

Capacity

- Such organisations are only as good as the Team and Boards they have. Top quality people will deliver top quality results. And the reverse is the case. Getting the right people involved is crucial - but not easy.

Cash

- To succeed such organisations must have long term core funding. They should not be constantly worried about their funding or indeed spend much of their time trying to raise their own funding.

Control

- These bodies work where the private sector contribution is valued and the local authority is willing to act as partner. The local authority must not see itself - or be seen as - a controlling partner.

Finally - so what for Derby?

8.16 In our review, many partners argued there was a need the need for a new Economic Development Company for Derby which would take on a wider range of functions across a wider territory than the city centre. The work of Genecon in Derby has underlined that demand. We think such an organisation would add value to the city. City centre delivery and Masterplanning should be part of that task. Derby Cityscape could be a player in that process and organisation. However, it is important that the messages of the Derby Cityscape mid-term review inform the way in which the body works in future. Those lessons have been identified above. But we underline some of them.

- There should be clear initial set up arrangements and alignment of partners' financial and human resources within the Masterplan so the EDC could hit the ground running, with a clear division of roles.
- The EDC should focus on a limited number of goals and projects, realistic timescales to avoid raising expectations and a more flexible approach to land acquisition.
- The city centre job is not done. In future, partners must fully realise the Masterplan's aspirations and deliver proposed interventions. Momentum and capacity must not be lost. More must be done to pump prime the office market, attract inward investment and strengthen the tourism and leisure offer.
- There must be greater discussion of clarity of roles and simplifying who does what, ensuring collective delivery capacity and commitment, good project management and accountability arrangements and protocols for sharing information and credit.
- Derby should compare itself with economic competitors beyond its regional and national boundaries - and set the company aspirations high.

Finally - so what for Nottingham?

8.17 We have also shown there is a demand in Nottingham for a more powerful economic delivery vehicle. We think it would add value. However, it is clear that the necessary political agreement to create such an arrangement has not yet been made. There are important conversations and efforts to broker the necessary political deal. But so far it has not been achieved. It must be.

Cash

8.18 NRL has shown it is a successful organisation. However it has always been inadequately resourced. The scale of the resources given to it does not match the scale of challenges it has been asked to deliver. Any new EDC must command greater financial support from partners than NRL has done. It would be a mistake to start a new organisation without sufficient financial backing from all partners.

Control

- 8.19 Equally it is important that the new vehicle has substantial private sector involvement and it is not regarded as an economic delivery arm of the local authority. That again would be a missed opportunity, especially if the new organisation is to attract talented people to its board and team.

Capacity

- 8.20 NRL has demonstrated it can deliver physical regeneration. That will be an important part of any new delivery vehicle. NRL has the potential to do more if adequately resourced. Its team are well regarded and should be an important part of a wider delivery vehicle. However, the new delivery vehicle will need more skills and functions than NRL currently possess. But NRL and its team have a major contribution to make to any future vehicle and must be central to it.

Clarity

- 8.21 The single most important thing for Nottingham is to get clarity and agreement about what a new vehicle should do – its roles, responsibilities, relationships and boundaries. The key decision about role will be whether the EDC is essentially a strategic body or a delivery body as well. It will have different implications for: relationships with other partners, the scale and nature of the team it will need, the level of resources it will require. Different partners currently have different views about this. Equally, there must be clarity on the boundaries of any new vehicles. However, at present there is neither clarity nor agreement on this. The County Council wants to commission economic development funding on a County-wide basis aligned to the county-level LAA. This is unacceptable to the City Council, which thinks such arrangements threaten the focus on the economic needs of the conurbation. In our judgement the conurbation is the most appropriate territory on which a Nottingham EDC should operate. The local authority boundaries are too small. We believe the county boundaries are too big. This is essentially a political issue which must be resolved sooner rather than later.

Cash

- 8.22 There must be clarity about resources. But at the moment all the potential funding partners – RDAs, the HCA and local authorities are going through policy and organisational changes and have financial challenges. The level of financial support that may be available for any new organisation is unclear. Resources for a new vehicle may have to come from existing ones that are currently allocated by funding partners to a range of different organisations in the conurbation and county. In other words, future funding may depend upon there being organisational rationalisation and efficiency savings. This is not yet known. However the crucial point is that any new vehicle must have the level of funding it needs to do successfully the job it is given. There is no point creating an allegedly powerful economic development body if it does not have the money to do the job. It would be programmed to fail. Partners must decide if they want something big and powerful and are willing to provide the means to pay for it. If they are not, they should not create a new agency. Decisions must be made with eyes wide open.

Commitment

- 8.23 Our work has shown that Nottingham has many economic strengths and potential. But it also faces a number of big economic challenges. The times are getting tougher with the credit crunch and global economic downturn. And other places are getting their act together and sorting out their economic governance and leadership arrangements to develop powerful delivery vehicles. This is nowhere truer than in their neighbours Leicester where, although the city and county have not historically always collaborated well, they have done so on an EDC because they recognise the importance of city and county. Nottingham should not fall behind in this. It now requires a degree of political maturity and compromise which resolves this issue and gets clarity about and commitment to a new Economic Development Vehicle. Without that, the risk is that a vehicle will not be able to deliver fully the economic aspirations of either the City or the County.