Design for life

THE SMART REGENERATION JOURNEY TO 2030

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CHAPTER FOUR

Role of the private and third sectors

Key points

- A partnership-based approach to regeneration, governed by contractual agreements by a variety of actors across sectors, has become the norm in regeneration and must be the basis for the design of projects.
- As well as involving private businesses, partnerships can greatly improve the sustainability of and local support for regeneration by integrating the third sector and community organisations into the process.
- Part of the need for partnership is the lack of local capacity, particularly in planning departments – place leaders must ensure that partnerships can offset depleted local resources without losing sight of the need to provide a holistic place offer.
- Ongoing monitoring of development projects past the completion of construction must evaluate the success of partnerships in realising the place vision, particularly around social benefits and the results of community engagement.

4.1 Overview

Roles and responsibilities in modern regeneration

The share of responsibilities for regenerating urban spaces in the UK has changed since the post-war era of immense state intervention, driven by policy in favour of localised independence that depends upon the growth of partnerships with the private sector or that may be cultivated by third sector parties. In the local government context, place leaders have become a driving force that ensures efficient collaboration between actors across bodies of different levels of authority and involvement. Community-led regenerative practices have also consequently become increasingly popular and more influential as local people endeavour to have their say in development, seeking to work within the existing planning framework and to access funding from avenues that support communities.

The term 'government by contract' describes how governance structures are established through contractual agreements between public and private actors. Over the past several decades, the governance structures of the UK have moved and mutated in such a way that new approaches to development have resulted from continuous experimentation and innovation, within the context of central government policy and the ongoing needs of British cities.

Public-private partnerships (PPPs) are the agreements between public sector and private sector organisations founded either upon a contractual or institutional basis with the intent to provide public services or to improve or establish infrastructure, and are often introduced for a long-term function. PPPs are defined by the distribution of risks where public funding assurance can mitigate the reticence of private entities and where the private sector can guide public bodies into more innovative solutions to complex urban problems, also enabling the public body in question to make best use of external skills where there may be an insufficient internal skills base. The division of responsibilities tends to lie in the public sector 'steering' projects through political decision-making and private partners taking control of the production and distribution of the service[98].

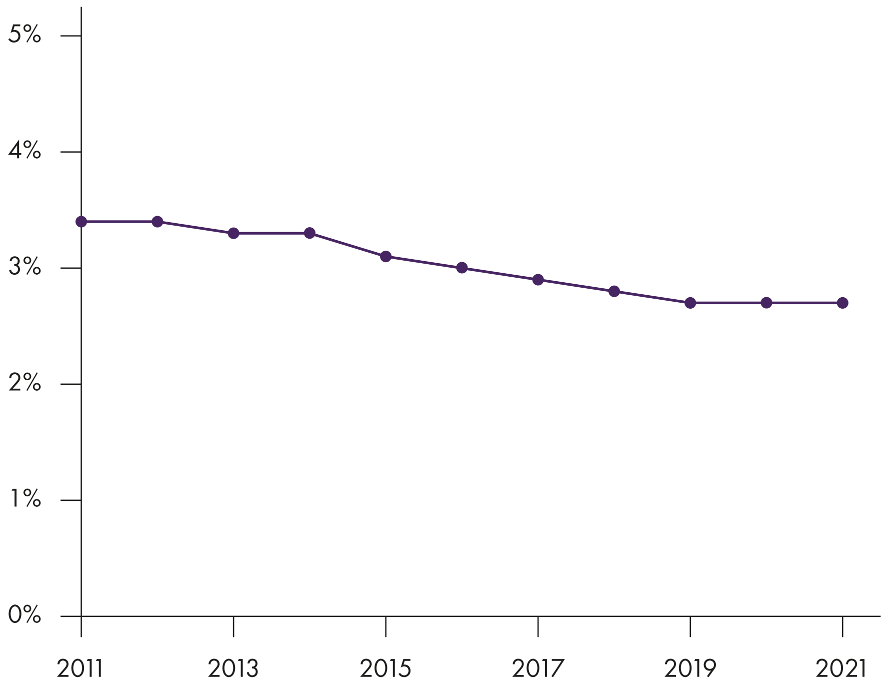
The third sector, which includes charities, housing associations, and community groups among all kinds of other self-governing organisations, can unleash all kinds of public benefit from regeneration impossible for government bodies to achieve. Primarily, such organisations can connect with hard-to-reach and more vulnerable populations, can

98 Sara Poggesi (2009) – Public-Private Partnership for Urban Regeneration: The Case of the Urban Transformation Companies

hold public bodies accountable for service provision, and ensure the sustainability of development so that the social and economic benefits of regeneration extend into the long term[99]. Modern regeneration governance should seek to strike a balance between private and third sector partnerships, along with community involvement, in creating the contractual basis for long-term strategic projects.

Figure 8. Apprenticeships in England

Percentage of working age population with trade apprenticeship, 2011-2021



Source: Annual Population Survey

Policy context

Local Enterprise Partnerships (LEPs) were established to decentralise the approach to regional development and economic growth and to make up for where previous

99 Front office shared services (2008) – working with the third sector

attempts, such as the New Labour government's Regional Development Agencies, had failed to reduce inequalities in deprivation across the country, through partnership-driven regeneration. The Coalition government's LEP policy departed from previous regional growth programmes because of the weight placed on the interaction between private and public actors: at least 50 percent of LEP boards had to be made up of business leaders, and their aim was to ensure that business interests met with local planning and infrastructure requirements.

Responding to criticisms of the previous government's efforts in regeneration, LEPs were meant to improve local accountability and the effectiveness of plans for economic development[100]. However, minimal funding and the huge varieties of governance across the political geographies of the UK has meant that the success of these partnerships has been disparate and often reliant on existing financial and institutional stability. LEPs are now slated for removal by April 2024, their functions mostly passing to local authorities. It remains to be seen how local government, stymied as it is by public spending cuts, will integrate the work of LEPs and how far successful regeneration will depend on existing relationships between the local state, local businesses and organisations, and central government.

The ability for PPPs to deliver investment for regeneration in an era when especially local government finances are immensely limited has changed the balance of public and private sector responsibilities. Modern challenges such as decarbonisation, an immensely strained housing market, and the cost-of-living crisis alongside recovery from COVID-19 related lockdowns, provide shared goals with which actors might align themselves in order to produce more resilient towns and cities across the UK. Funding access through means such as the Towns Fund is dependent upon working with the private sector, thereby ensuring that local growth is unlocked through collaboration and that risk is mitigated between the sectors.

New Labour's approach to community-led development and the subsequent impacts of austerity measures have, additionally, instigated a rise in asset transfer from local government to community organisations[101]. Likewise, the Planning Act (2008) introduced a duty to consult with the local public[102], further detailed by the Localism Act (2011)[103], obligating planning authorities to consult with residents

100 Andy Pike et al. (2015) – Local institutions and local economic development: the Local Enterprise Partnerships in England, 2010-

101 Nick Bailey (2012) – The role, organisation and contribution of community enterprise to urban regeneration policy in the UK

102 Planning Act 2008

103 Localism Act 2011

on plans and planning applications in the vicinity of their place of residence[104]. Consequently, and through a range of other legislative means, the onus of providing public benefit can be, and is being, shared with the public itself, and local voluntary organisations, charities, and community groups have become increasingly central to sustainable regeneration.

4.2 Role of the private and third sectors on the regeneration journey

Scoping

Private sector partners can be more commercial than their public counterparts, release capital funding and bear risk on behalf of large-scale regeneration projects. This can be particularly useful in cases where social benefit comes at the cost of easy viability, as in projects that emphasise decarbonisation, energy efficiency, housing delivery, or the renewal of town centres[105]. On the downside, these partnerships require long-term commitments between the public and private sector, especially given the timescales involved in urban development. Political cycles, particularly among local authorities, and, for instance, NHS funding cycles, can be much shorter than the time periods necessary for targeted outcomes of regeneration to see fruition.

Likewise, there is sometimes little flexibility for contingencies in the case of partners wanting to remove themselves from responsibility, although private investors can provide more opportunities for innovation to hurdle obstacles to growth and resilience. An obstacle may be that a lack of skills in the public sector may hinder capacity for engaging in innovation or private sector partnership to its fullest extent. Additionally, although Private Finance Initiatives (PFI) are structured using a different funding framework than PPPs – namely, that the private sector partner in the case of PFIs takes on all upfront risks and costs including construction and then ongoing maintenance – there can still be consternation that PPPs like PFIs represent the public financing private profits.

Intrinsically, however, PPPs represent the opportunity for the delivery of local growth in the context of immense constraint to the local utilisation of fiscal resources. The public sector can incentivise private actors, particularly through the certainty provided by stable flows of funding, and allow the voice of local businesses to be articulated. The inclusion of the non-public sector actors into regeneration projects

104 Pablo Sendra and Daniel Fitzpatrick (2020) – Community-Led Regeneration: A Toolkit for Residents and Planners

105 LGA (2022) – Public-Private Partnerships: Driving Growth, Building Resilience

relies upon strong place leadership and the provision of a positive place vision and outcomes that attract confidence in the long-term viability and returns on investment of the project. Strategic clarity will bolster investment while improving the procurement process in terms of transparency and organisation[106]. Building flexibility into the partnership and building a clear contractual understanding of roles and responsibilities at the scoping stage are key.

One of the main benefits of working with the third sector in regeneration partnerships is the enabling of higher levels of public engagement, as the third sector can lobby and campaign on behalf of communities, adding to the social value of regeneration projects[107]. Community engagement can focus attention at the primary stages of regeneration onto the specificities of local requirements, providing granular attention on local need.

The government has acknowledged the tide of sentiment supporting community empowerment through measures such as the Community Wealth Fund. In opposition, The Labour Party has set out a 'Vision for Community Power' with the intention of empowering communities across the country beyond 2024, setting out the core principles of prevention, participation, and devolution to enable grassroots, bottom-up reform to produce sustainable outcomes and resilient places[108]. This suggests that in the near future, the centralism of the past decade-and-a-half may give way to at least a rhetoric of place-based autonomy and very local organisation around urban regeneration. Particularly when it comes to designing policy to benefit communities, central government will have a responsibility to engage with third sector actors when scoping out opportunities for urban and public service transformation.

Planning

The vast reduction in spending on planning from local authorities since 2010 has seen an associated trend towards a greater proportion of private sector-employed planners and a general reduction in capacity in public planning authorities[109]. Funding constraints have resulted in local planning authorities becoming more aggressively pro-development in intent, while there is also a growing discontent with the practice of outsourcing to private planners at

106 LGA (2022) – Public-Private Partnerships: Driving Growth, Building Resilience

107 Front Office Shared Services (2008) – working with the third sector

108 New Local (2023) – A Labour Vision for Community Power: Participation, prevention and devolution

109 RTPI (2019) – The UK planning profession in 2019: Statistics on the size and make-up of the planning profession in the UK

greater cost and with poor levels of collaboration[110] – a cycle of costliness exacerbated by spending cuts. It has been suggested that rotating people through reciprocal secondments between the private and public sectors ensures that planners can acquire and maintain the different skills required for work in and between these sectors – namely, ensuring that the commercial nous required by private sector work extends into public sector decision-making, and in order that the private sector can understand and engage in the manoeuvring of government and political actors.

Local authorities can, furthermore, interact with delivery partners heavily in developing supplementary planning guidance for large, strategic sites, working closely to co-develop policy. This can give developers more certainty, counteracting the risk inherent to the planning system and the site allocation process. There is clearly a balance to be struck in planning for urban regeneration, where financial requirements, skills capacity, and the political obligations of public sector actors, where clarity of outcomes and stable funding mechanisms can tip the scales in favour of public benefit.

The third sector includes housing associations, charities, voluntary and community organisations, and other organisations in support of social or environmental benefits to public good. At the planning stage, such organisations can produce specialist expertise and represent a wider range of the population than may feel represented by members of state organisations. The public sector, therefore, must work to engage with third sector voices and set up and invest in close networks between a wide range of local organisations[111]. When capable volunteers with high levels of expertise can work with local authorities, different skillsets can engage in the planning and later procurement processes to the overall benefit of the local public sphere. Innovative policy frameworks could, in future, provide greater powers for community decision-making in terms of public service provision and strategic planning that values place resilience.

110 RTPI (2019) – Serving the public interest? The reorganisation of UK planning services in an era of reluctant outsourcing

111 Front Office Shared Services (2008) – working with the third sector

The private sector and housing provision

Housing demand is consistently outstripping supply in the UK, and a recent study from the Competition and Markets Authority on the housebuilding market has highlighted some of the intrinsic issues associated with the UK's present reliance on private sector housebuilding. The statistics on housebuilding in the UK are stark in terms of this reliance – while, in the 1970s, private sector dwelling completions were matched by local authority builds numbering well over 100,000 every year, since the 1990s public sector numbers have dropped significantly, never reaching more than 5,000. Housing association builds have accounted for an increasing proportion of new builds over the past three decades, but those figures have never breached 50,000 and it remains that housing supply in the UK has been dominated by the private sector, with around 150,000 builds consistently accounted for by private enterprise since recovery from the downturn of the 2008 financial crisis[112]. The reliance on the private sector has resulted in the country's housebuilding efforts faltering as policymakers urge significant and proactive change in the private sector without any alignment in expectations with the public sector's own delivery of housing. It is inefficient to rely on the one approach to meet central government targets without matching private enterprise with public sector efforts. The flaws of the present method of delivery become more evident in light of the CMA's findings.

The CMA report outlines two major points of contention in terms of private housebuilding: uncertainty and complexity in the current planning system disincentivising investment, and a disinclination among the private sector, for various reasons, to engage in forms of housebuilding alternative to the speculative model, which relies on the purchase of land in advance of construction and sale of homes without knowledge of the final price of sale. The drive to maximise profit, therefore, among private housebuilders, results in a dampened housing supply when faced with policy measures that reduce profitability such as high standards of build or a need for affordability. It is also important to note that the provision of affordable housing according to policy standards may not align with the provision of genuinely affordable housing for local people[113], particularly given the impact of recent inflationary pressures in the economy on the viability of affordable housebuilding schemes and grant funding[114], alongside a high cost-of-living exacerbated in particular by high domestic energy prices.

112 ONS (2024) – House building, UK: permanent dwellings started and completed by country

113 Localis (2023) – Brightness on the Edge of Town: How Community Land Trusts Can Deliver Affordable Housing

114 DLUHC (2022) – Scoping Report for the Evaluation of the Affordable Homes Programme 2021-2026

Furthermore, sustainability and innovation are lacking in private housebuilding, only aligning with an expectation of future regulation and standards, while housing estates and their residents have suffered under the private management of public amenities. Overall, it is clear that the existing supply of housing from private enterprise functions at a limit set by both external characteristics (central policy and the planning system) and internal (the drive for profitability and the understandable desire for certainty in large-scale investment). This limit means that the public sector cannot rely wholly on the private sector to meet the housing targets assumed by central government. The limits on private sector cannot be expected to change overnight, although appropriate incentivisation may have positive implications for both the quantity and quality of future sustainability and affordability in housebuilding. Significantly, private sector competition and innovation do not necessarily result in improved building quality, implying that regulatory changes must be applied in order to drive forward good construction practices[115].

Financing

Public-private partnerships represent a clear opportunity for introducing new innovations to the procurement process, particularly in circumstances where private actors, rather than backing public purchases, want the public sector to champion them and their activities in the locality and want to engage as a willing partner to local investment. However, private investment is tricky, in that regeneration projects must meet the right conditions to draw in private investment. In the past, LEPs have provided a strong link between the public and private sector, but as we move away from LEPs and their duties become subsumed within local authority obligations it will become increasingly necessary for locally based teams to work together around trade and investment, encourage open lines of communication – especially in times of crisis – and to focus on sectors that are opening up local growth opportunities. Likewise, local leaders and businesses must consider the offers for prospective employees, ensuring fairness across the workforce, particularly if the public sector is able to set the gold standard for employment requirements across the region. There is concern that local authorities are less likely to take on risk in the new political cycle, with a lack of viability and long-term timescales hindering regeneration among an increasing number of local authorities that are also seeing increasing intervention from central government.

115 CMA (2024) – Housebuilding market study final report

Private sector investment and successful public sector partnerships are hinged upon a point-of-value return, whether that be economic returns to investment or other benefits to a local community, boosting social value or environmental progress. Regeneration may aim to boost a city's competitive advantage through the creation of economic 'clusters', in which similar industries develop close networks through geographic proximity, or partnerships may revolve around a single 'flagship' development, where the scheme's vision is tied to one, prominent structure or a particular theme marked out for improvement. Focusing regeneration around one unique element may strengthen the individual identity of a city and its competitiveness, with projects often involving symbolic regeneration of local heritage, emphasising the unique history of the city and its identifying cultural features. The idea of a unique feature around which to drive development is also beneficial in terms of convening multiple stakeholders around targets for regeneration.

However, such schemes can be problematic: the ideal of 'trickle-down' regeneration that relies on the agglomeration of funding, resources, and political support around a single urban space or entity, can prove to be socially unsustainable, poorly impacting those of lower socioeconomic status or existing residents, engendering homogenous demographics and ignoring the significance of place identity and culture, and failing to account for the environmental impact of development. Regeneration practices in recent years have turned away from property-led schemes towards programmes that balance physical infrastructure development with considerations for social, environmental, and economic sustainability[116]. When support from the private or third sector meets engaged public sector commitment and organisation, then innovation can meet sustainability to the real benefit of urban communities.

Looking forward to 2030, place leaders must consider the key fiscal events that will fall between now and then, such as the upcoming Spending Review for the years post-2024/25, and how those might impact their decision-making processes. Potential decision pathways must create a vision in advance of how financial shocks, inflation, and increasing pressures on public services will impact the ability to support the day-to-day commitments of local government spending while investing in larger regeneration projects. There must be considerations of who will bear the brunt of costs, how risk will be shared between local agents, and what opportunities exist to transform regeneration practices.

116 Phil Jones and James Evans (2013) – Urban regeneration in the UK

Implementation

Public-private partnerships extend through the creation of place vision and design, to construction, operation, and continued management. Under different contract models, there may be different shares of public or private roles and responsibilities at each stage of development. Additionally, models of "private-sector led development" can take on a number of forms – developer-led, investor-led, community-led, or corporation-led[117]. In each case, the motivations for development, the pathways to the purchasing or utilisation of assets, and the scale of development will vary: community-led projects instigate neighbourhood-scale regeneration with motivations rooted in citizens' protection of their living environment; investors aim to buy real estate and share risk with support from additional investors; corporations base development upon the furthering of a business model, often of service delivery such as energy management, whereas the business model for developers is to deliver urban development projects for clients. These motivation profiles by necessity guide private and third sector partners' interactions with the state, particularly in terms of taking on early risk in the regeneration journey and in terms of the long-term responsibility for caretaking post-occupation.

The question of ongoing management and ownership of assets in the long-term is substantial, and ties directly into the outcomes set out in the place vision at the scoping stage of development. Where the goals are concerned with social value beyond economic growth and planning authorities participate in high levels of public engagement at the scoping and planning stages, then continued evaluation of the development will ensure that its social benefits are realised, and that regeneration does not exacerbate existing socioeconomic inequalities and avoids risks such as gentrification or the displacement of residents. It may be that community ownership of assets can ensure the mitigation of the negative impacts of regeneration – provided, that efforts to engage citizens are not 'tokenistic' or engage in top-down governance that disempowers and excludes residents[118]. The question of ongoing responsibility is key to PPPs, where relationships between partners must be clarified from the outset, and where, particularly for public authorities, accountability and transparency in decision-making and funding must be maintained over the long term, even across the fluctuations of political cycles.

117 Erwin Heurkens (2017) – Private sector-led urban development: Characteristics, typologies, and practices

118 Alice Earley (2023) – Achieving urban regeneration without gentrification? Community enterprises and community assets in the UK

4.3 Operational concerns

The table below highlights how the strategic concerns of private and third sector partnerships intersect with key operational concerns for regeneration projects.

Operational concern	Implications for private and third sector partnership
Sustainable design	• Innovative practice from the private sector can be brought into local partnerships to maximise sustainability • The third sector can massively improve the social sustainability of development when involved in regeneration, through community engagement and expertise
Decarbonisation	• Monitoring and evaluation of targets through data sharing must be a key tenet of contracting between the public and private sector • Aligning the corporate responsibility goals of private sector partners with local carbon targets can help drive decarbonisation • Third sector input into partnership arrangements can contribute to policies focusing on a just transition
Property and estates partnerships	• Making sure to be clear from the outset on how ongoing management and ownership of assets will be handled is vital • Bringing communities into the management of public assets via the third sector can help improve service delivery and create more vibrant, mixed-use spaces

4.4 Policy recommendations

- The most prominent obstacle to sustained public-private partnership at the local level is fiscal uncertainty and therefore, to support local authorities delivering in partnership, **a long-term settlement on financing regeneration** must be reached in the next Parliament. This would entail abandoning much of the current system of competitive bidding.
- Government must make a **long-term investment in the capacity of community housing initiatives** to allow for greater small-scale, community-led development within regeneration projects.