

**ALLOCATION OF NEW WORKING NEIGHBOURHOODS FUND  
RESOURCES FOR 2008-09, 2009-10 AND 2010/11**

**BACKGROUND BRIEFING**

**Working Neighbourhoods Fund (WNF)**

**Background**

The purpose of the WNF is to provide support to local authorities in England that have the highest concentrations of worklessness and lowest levels of skills and enterprise.

The WNF replaces the Neighbourhood Renewal Fund which made available £2.9 billion to deprived areas since 2001. It also includes the DWP's Deprived Areas Fund.

From 2001-2008, the Indices of Deprivation were used to allocate NRF. Since 2001, 91 authorities were eligible.

The new allocation for 2008-2011 is based on the new Indices of Deprivation 2007 as well as a measure of non-employment. 87 authorities will now be eligible to receive WNF.

21 of these 87 will receive transitional WNF payments rather than a full allocation. These authorities will receive 60% of their 2007/08 NRF allocation in 2008/09 and 40% of their 2008/09 WNF allocation in 2009/10.

5 authorities that have never received NRF will receive WNF (Blyth Valley, Chesterfield, Copeland, Thanet and West Somerset).

4 authorities which currently receive transitional NRF funding will no longer do so. These are Allerdale, Ashfield, Kerrier and Lincoln.

## **Key Issues concerning WNF allocation for 2008-11**

### **New Indices of Deprivation**

- The WNF allocations are based, in part, on the new Indices of Deprivation 2007 (ID2007). Although the new Indices are broadly similar to the ID 2004, more up-to-date data and small changes to the indicators will inevitably result in some changes to the list of eligible authorities.

### **Regional implications**

- The refocusing of WNF on a smaller number of areas means that there will be large losses across all regions. This is compounded by the fact that the settlement is tighter than the last NRF settlement and therefore there will be some reductions arising from that.

### **'Dampening of losses'**

- The WNF allocation model 'dampens' losses for local authorities which would have seen dramatic falls in their allocation as a result of the new methodology. Losses have been kept to a maximum of £5 million in any year.

### **Minimum allocations**

- No authority eligible for up-front WNF will receive less than £1 million in any one year.

- **WNF Allocation methodology for 2008-11**

### **Determining Eligibility**

Any authority that has:

- Any authority that has 20 percent or more of its Lower Super Output Areas (LSOAs) in the most deprived decile on the Employment domain; or
- Any authority that has 20 percent or more of its Lower Super Output Areas (LSOAs) in the most deprived decile on the overall IMD; or
- Are among the top 40 districts on an equally weighted measure of key benefit claim rate and employment rate.

### **Transitional Payments**

- Any authority which currently receives NRF but does not qualify for WNF will receive transitional payments of 60% of their last NRF allocation in 2008/09. In 2009/10 these authorities will receive 40% of their 2008/09 allocation. 21 authorities will receive this level of transitional funding.
- These transitional payments will not be made to any authority which currently receives NRF transitional funding and which does not qualify for WNF. Areas that will therefore no longer receive special support include Allerdale, Ashfield, Kerrier and Lincoln.

### **Determining the size of allocations to eligible authorities**

- The amount allocated to each eligible authority is based on a standard amount per head of the working age population who are living in those Super Output Areas (LSOAs) in the local authority area that are in the most deprived 10% of all LSOAs nationally.

### **Dampening losses**

- No authority will receive an allocation of less than £1 million per annum.
- The losses experienced by some individual authorities have been limited to no more than £5 million in any year. Authorities which stand to lose more than £5 million of in any of the three years of this CSR period will have their losses limited to £5 million.

## **WORKING NEIGHBOURHOODS FUND (WNF)**

### **Q& A**

#### **What is the Working Neighbourhoods Fund (WNF)?**

- The WNF is a new fund launched in December 2007 to provide resources to local authorities that have some of the highest concentrations of worklessness and lowest levels of skills and enterprise.

#### **Is WNF additional to NRF?**

- No. WNF will replace the Neighbourhood Fund and will be merged with the DWP's Deprived Areas Fund, to create a single fund at the local level.

#### **Why has the WNF been introduced?**

- Since the National Strategy on Neighbourhood Renewal was introduced in 2001, good progress has been achieved in reducing the gap between deprived areas and the rest of the country, for example, in health, crime and education. In NDC areas there has been a 24 percentage point increase in residents saying that the NDC has improved the area as a place to live between 2002 and 2006.
- Despite this good progress, there are still high levels of worklessness and low levels of enterprise in the most deprived areas. WNF has been introduced to focus attention and resources on reducing levels of worklessness through job creation and equipping people with the skills to run their own businesses.

#### **Surely there is no need for a specific focus on worklessness as so many more people now are in work than before?**

- Since 1997 the employment rate in the UK has been rising and is now one of the highest in its history. Total employment has risen nearly 2.8 million since 1997. At the same time, unemployment and long-term unemployment has fallen.
- However, this success has not been equally shared across all regions. Currently 5.2 million people are claiming 'out of work' benefits and around a fifth of these claimants live in the most deprived ten percent of neighbourhoods in England. This is the situation we are seeking to turn around with the WNF.

#### **Your report says that WNF now incorporates the Deprived Areas Fund. Does this mean that twice as many areas are being funded?**

- No. A key aim of this fund is to tackle concentrated pockets of worklessness and low skills. This requires us to focus our efforts on those areas where the problems are most acute. This is what the Sub-National Review of Economic Development and Regeneration recommended and we will respond to that recommendation by reducing the number of areas receiving funding.

**Have you included DAF into WNF to hide the fact that there is less money for tackling deprivation?**

- No. DAF is being incorporated into WNF to simplify the funding for local initiatives aimed at tackling worklessness.

**But there is less money available.**

- This was always a tight funding settlement.
- Making the best of all available resources is increasingly important and will be helped by the changes we are making to the local performance framework providing flexibility to local partners to design programmes to meet local needs.
- We have also increased flexibility over the use of mainstream resources by moving at least £5bn of former specific grant funding into non-ringfenced general grants allocated over the CSR period.

**How many areas will receive WNF?**

66 local authority districts will receive WNF as a distinct element of their Area Based Grant.

**How did you determine eligibility for the WNF?**

Areas in receipt of WNF are those that meet the following criteria:

- Local authority areas with 20 percent of their Lower Super Output Areas (LSOAs) in the most deprived decile on the Employment Domain of the Index of Multiple Deprivation 2007 (IMD 2007);
- Local authority areas with 20 percent of their LSOAs in the most deprived decile on the overall IMD; and
- Local authority areas ranked amongst the 40 districts on an equally weighted measure of key benefit claim rate and employment rate.

**You previously said that eligibility would be determined on the basis of the new Indices of Deprivation. Why have you used a measure not in the Indices?**

- Our evidence shows that in some areas, there are people who are not in work and are not claiming the benefits to which they are entitled for a number of reasons. Since the Employment Domain is based mainly on those in receipt of various benefits, the third criterion has been introduced to enable us to target those areas with high concentrations of people out-of-work but not claiming benefits.

**What happens to local authority areas that currently receive NRF but which do not meet the criteria for WNF?**

- Any local authority area that currently receives NRF but which will not receive WNF from April 2008 will be eligible for transitional payments for two years.
- Transitional payments of 60 percent of their last allocation NRF allocation will be made in 2008/09 and payments of 40 percent of their 2008/09 allocation will be paid in 2009/10.

**Cutting off NRF now will undermine all the progress which has been made to date.**

- Although it is vital that we continue to target resources at the most deprived areas, the Government also recognises the importance of sustaining the progress made in other areas which will not qualify for the WNF.
- This is why we are providing transitional support for those authorities which received NRF in the past but will not receive WNF. This will allow time for LSPs to plan strategically for the future and mainstream their provision for the most deprived neighbourhoods. The only authorities that will cease to receive special funding for deprivation are those that received transitional payments in the past and which do not qualify for WNF.

**Why is the allocation for London smaller than it was under NRF?**

- No authority will experience a large sudden fall in funding. Under WNF no authority will lose more than £5 million in any one year.
- Some authorities currently receiving NRF were protected under the previous allocation methodology which ensured that no authority lost more than 10% in 2006/07 and no more than 20% in 2007/08. This dampening has now been removed moving these authorities to a position closer to where they should actually be.
- Previous allocations were made on the basis of the total population living in the 10% most deprived LSOAs in each district. Because WNF is focused on getting people into work we have based the new allocation methodology on the working age population living in the 10% most deprived LSOAs in each district. Where authorities have much smaller working age populations than total population, then their allocation will be smaller.

**Which population figures have you used?**

- The allocations are based on population figures provided by the Office for National Statistics which are the best available population at this time.

**My local area is very deprived but we are not getting WNF.**

- We recognise that pockets of worklessness and overall deprivation exist outside of the local authorities that will receive WNF. However, we need to focus our resources on tackling the highest concentrations of worklessness and low skills that exist in some of our communities so we have allocated the new WNF resources to authorities which have the highest worklessness.

**How can WNF be used?**

- It will be for the local area to decide how WNF is to be used to tackle its priorities as set out in its Local Area Agreement.

## **WNF Reward**

### **You announced at least £50 million of reward funding. What is this for?**

- The reward is an additional sum made available by Communities and Local Government to deprived areas that have agreed relevant LAA targets aimed at reducing worklessness and increasing levels of skills and enterprise in the most deprived areas.

### **Are there any restrictions on how reward can be used?**

- CLG will want to discuss with local authorities and other local agencies how best to use this money to motivate areas with the highest worklessness and to do so in a way that empowers the local communities affected. This includes the possible role of social enterprise activities and community budgeting in empowering those communities that have started to make progress.

## **WNF after 2011**

### **Will there be any more WNF after 2010/11?**

- No decision has yet been made on the future of the WNF beyond this spending review period. Further WNF beyond 2010/11 will need to be considered as part of the next Spending Review.

## WNF Regional Changes

| Region                    | NRF Allocation<br>2007/08 | WNF Allocation<br>2008/09 | Change<br>from<br>2007/08 | Percent<br>Change<br>from<br>2007/08 |
|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------|
| East                      | 3,914,150                 | 3,247,087                 | -667,063                  | -17.0                                |
| East Midlands             | 30,869,539                | 25,357,566                | -5,511,973                | -17.9                                |
| London                    | 108,827,860               | 81,196,493                | -27,631,366               | -25.4                                |
| North East                | 64,149,658                | 66,363,330                | 2,213,672                 | 3.5                                  |
| North West                | 142,638,750               | 140,908,962               | -1,729,788                | -1.2                                 |
| South East                | 3,936,126                 | 4,448,244                 | 512,118                   | 13.0                                 |
| South West                | 10,462,027                | 6,955,119                 | -3,506,908                | -33.5                                |
| West Midlands             | 74,568,150                | 66,498,056                | -8,070,094                | -10.8                                |
| Yorkshire & the<br>Humber | 85,633,740                | 69,425,144                | -16,208,597               | -18.9                                |
| England                   | 525,000,000               | 464,400,000               | -60,600,000               | -11.5                                |

| Region                    | NRF Allocation<br>2007/08 | WNF Allocation<br>2009/10 | Change<br>from<br>2007/08 | Percent<br>Change<br>from<br>2007/08 |
|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------|
| East                      | 3,914,150                 | 2,958,152                 | -955,998                  | -24.4                                |
| East Midlands             | 30,869,539                | 26,335,867                | -4,533,672                | -14.7                                |
| London                    | 108,827,860               | 83,989,481                | -24,838,379               | -22.8                                |
| North East                | 64,149,658                | 78,185,918                | 14,036,260                | 21.9                                 |
| North West                | 142,638,750               | 166,346,876               | 23,708,126                | 16.6                                 |
| South East                | 3,936,126                 | 4,665,993                 | 729,868                   | 18.5                                 |
| South West                | 10,462,027                | 3,382,048                 | -7,079,980                | -67.7                                |
| West Midlands             | 74,568,150                | 74,087,531                | -480,619                  | -0.6                                 |
| Yorkshire & the<br>Humber | 85,633,740                | 67,848,135                | -17,785,605               | -20.8                                |
| England                   | 525,000,000               | 507,800,000               | -17,200,000               | -3.3                                 |

| Region                    | NRF Allocation<br>2007/08 | WNF Allocation<br>2010/11 | Change<br>from<br>2007/08 | Percent<br>Change<br>from<br>2007/08 |
|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------|
| East                      | 3,914,150                 | 2,586,803                 | -1,327,347                | -34                                  |
| East Midlands             | 30,869,539                | 25,574,217                | -5,295,323                | -17                                  |
| London                    | 108,827,860               | 83,146,299                | -25,681,560               | -24                                  |
| North East                | 64,149,658                | 80,702,551                | 16,552,893                | 26                                   |
| North West                | 142,638,750               | 172,466,394               | 29,827,644                | 21                                   |
| South East                | 3,936,126                 | 4,396,154                 | 460,028                   | 12                                   |
| South West                | 10,462,027                | 1,000,000                 | -9,462,027                | -90                                  |
| West Midlands             | 74,568,150                | 74,819,810                | 251,660                   | 0                                    |
| Yorkshire & the<br>Humber | 85,633,740                | 63,207,773                | -22,425,967               | -26                                  |
| England                   | 525,000,000               | 507,900,000               | -17,100,000               | -3                                   |

- **WNF and tackling wider deprivation**

**The new focus on worklessness and enterprise suggests that you are no longer interested in tackling wider deprivation issues. Is this so?**

- No. We are still very interested in tackling wider deprivation. However, there is now a case for a more focused approach. Concentrated pockets of worklessness remain and getting people into work is key to improving people's lives and tackling poverty. Improving skills also has a large part to play.
- It is also important to remember that NRF was always meant to be time-limited and was allocated to local authorities to help kick start the renewal effort while we work to refocus mainstream funding. Mainstream funding is now much more focused on tackling deprivation which gives us the scope to focus our limited resources on the areas where we have made the least progress.
- Furthermore we have included the overall IMD as one of the criterion for the WNF which means that we will continue to provide specialised funding for those areas with the highest overall levels of deprivation.
- The focus on deprivation will be taken forward through our new Departmental Strategic Objective (DSO3) which focused on continuing the commitments of the National Strategy for Neighbourhood Renewal.

**The CSR04 PSA 1 put a clear Government focus on Neighbourhood Renewal. Without a PSA specific to this work will it receive the same profile and attention?**

PSA 1 has helped deliver real improvements in some of the poorest neighbourhoods; narrowing the gap in health, crime, education, liveability, housing and worklessness between the most deprived areas and the rest of England. The DSOs will continue to drive this work – linking directly with the national indicators in other Government Departments' DSOs and PSAs. We have also ensured that further NR indicators have been included in the National Indicator Set where they:

- Measure the narrowing of a gap between the worst performing neighbourhoods and the rest of England;
- sets a floor target;
- available down to sub-district level;
- Supports the delivery of the Sub-National Review and Regeneration Framework, including the Working Neighbourhoods Fund aims, as well as the wider NSNR.

**DSO3 suggests that you are now more concerned about cities and sub-regions. Will the neighbourhood focus be lost?**

- No. One of the main conclusions of the Sub-national review was that in order to enhance neighbourhoods you have to connect them properly to economic activity and action at other spatial levels.

- The improvements in the availability of small-area area data means that it is now possible to have neighbourhood level targeting.
- In addition, the use of indicators at different spatial scales, on employment and earnings growth, will not only drive the implementation of sub-regional Multiple Area Agreements and Local Area Agreements but will ensure that apparently prosperous cities are not leaving behind their disadvantaged residents and areas.

**Does the economic focus of this DSO move us away from a more holistic approach to tackling deprivation, with attention more tightly focused on worklessness than on the other aspects of deprivation highlighted in PSA1?**

- No. Evidence increasingly shows that worklessness is crucial but addressing it properly also needs action on education & skills, health and crime and other services.
- There is no move away from the proposition that areas suffering multiple disadvantage need co-ordinated action - hence the set of neighbourhood renewal indicators in the local performance set and the inclusion of a composite indicator in our DSO to drive and monitor performance of deprived neighbourhoods.

**What will success look like for DSO3 and Neighbourhood Renewal?**

- CLG recognises the importance of measuring outcomes at ward and neighbourhood level to tackle pockets of deprivation. It is expected that all local authorities in receipt of the WNF will give particular consideration to the use of worklessness, skills and enterprise indicators within their LAA targets, focusing on the neighbourhoods identified as having the most pressing problems of worklessness.
- In addition, areas of disadvantage will tackle, as part of their LAA, issues most pressing to their local area relating to social, physical and economic regeneration.

## **WNF and the Third Sector**

### **The loss of Neighbourhood Renewal Funding will lead to the close of local third sector organisations.**

- The vision of the National Strategy for Neighbourhood Renewal remains that no-one should be disadvantaged by where they live and good progress has been made in many areas, helped by local third sector organisations. Many actions have now been mainstreamed and funded locally where it is still a priority. Local areas should still be able to fund organisations that are delivering on local priorities.

### **It will be the third sector that loses out**

- No. All the community will need to be involved if we are to get those that are able to work into work – including the local third sector which does much to innovate and campaign for actions to enable people to work.
- In strengthening local partnership working, the involvement of the third and business sectors is an underpinning principle of welfare policy.

The voluntary sector can only be expected to take on more public service delivery contracts if it is guaranteed full cost recovery

All the work we are undertaking is part of a holistic approach to ensuring that we have both a sustainable and professional sector, with the capacity to bid for contracts where they choose to do so. We must ensure that we enable third sector organisations to correctly calculate their unit costs, and put together convincing business cases. This is why we are investing in building capacity within the sector throughout the CSR years.

### **As a result of Gershon, big third sector organisations are crowding out small ones in the competition for contracts and funding?**

**We** recognise that small organisations may not feel that they are able to compete with larger ones.

One of the priorities in the CSR consultation was to make sure that the voices of smaller organisations were heard, so there was a deliberate **effort to reach many more small** locally based groups. The points they raised have been reflected in the issues identified for further work in the interim report.

**The report recognises** that more work needs to be done to consider the role that consortia building and sub-contracting can play in ensuring there is a diverse set of delivery providers. Also continuing the work on social clauses that will look at what broader social and community benefits can be contracted, beyond narrow economic outcomes.

**Government just seems to be interested in the third sector for what it can do for public service delivery?**

We want to see a strong and vibrant third sector that represents the views of local people. We recognise that the sector has an important role to play in giving a voice to communities, especially hard to reach communities.

In certain service areas, the sector has consistently demonstrated that it is better able to meet the needs of communities in a flexible, innovate and holistic way. The sector is able to offer public services differently and in a way that makes them more accessible to those who need them most.

## **WNF and Local Enterprise Growth Initiative (LEGI)**

### **How does LEGI work with WNF?**

- LEGI and WNF fund should be complementary.
- LEGI addresses the enterprise gap for the most deprived areas, and it is important that work on enterprise dovetails wherever possible with action to address worklessness and other manifestations of area based deprivation.
- An evaluation will study how LEGI and WNF contribute to these aims.

### **Are we expected to use some of our LEGI funds to support programmes that are no longer supported through NRF?**

- LEGI programmes are unchanged by this announcement. It is for local areas, through their LAAs, to decide how LEGI funds are spent to achieve agreed outcomes.

### **Because we are losing NRF, will we also lose LEGI in the future?**

- LEGI will be evaluated to inform future spending decisions, and we cannot predict the outcome of future spending rounds.

### **As LEGI is paid through Area Based Grant, is it still a programme?**

- LEGI is a national programme, and local areas have local LEGI programmes to deliver this. It is for local areas to determine how they use their LEGI allocation in support of this and in achieving the desired outcomes, in light of their LAA negotiations. A national evaluation will study the overall impact of LEGI funds.

### **Can we plan beyond one year ahead?**

- Ministers have signalled their intention to fund LEGI until 2010/11, subject to annual approval by Parliament.

### **Why has funding not been agreed for the full ten years?**

- LEGI has always been subject to Comprehensive Spending Assessments and Reviews, and to annual parliamentary approval of Funds. This announcement covers the entire spending review period 2008/9 - 2010/11.
- It would be for future Spending Reviews to decide on longer term funding, and an evaluation will inform those decisions.

## **Other Neighbourhood Renewal Programmes**

### LAA – SSCF

#### **How much funding is there within the SSCF for the CLG commitments?**

- The settlement confirms the CLG allocations.

#### **Isn't this really a cut in funding so how much exactly is going into the SSCF?**

- No. The funding levels are in line with commitments the total from CLG and the HO for the three year period from 2008 to 2010 is £ 168m.

#### **How much is this for CLG and HO separately?**

- CLG funds are £88m and HO £80m

#### **What does this mean for those places now getting funding either for the Neighbourhood Element (NE) or Neighbourhood Management Pathfinders (NMPs)?**

- The funding for these is now within LAAs so they must ensure that they continue to work together on agreed outcomes.

#### **What exactly does this mean for HO funds?**

- The HO press office will answer any detailed questions on these points.

### NDC Programme Funding Settlement

#### **What is the impact of CSR07 on the NDC Programme?**

- The CRS07 spending allocations complete the final spending period of the ten year New Deal for Communities programmes
- Allocations outlined in CSR07 demonstrate the government's commitment to ensuring Partnerships receive adequate funding to help them achieve their agreed strategic outcomes
- As Partnerships enter the final stage of the programme, the Department will continue to support them to deliver their remaining projects.

#### **How will money be allocated?**

- As in previous years, funding will be distributed to accountable bodies on a monthly basis through my Department's LOGASnet system

#### **What are your priorities for NDCs over the coming years?**

- It is important that NDCs continue to deliver improvements for their communities and spend their budgets throughout the remaining

government funding and that this improvement is sustained. NDCs are now developing local succession strategies to sustain the improvement achieved into the long term and continue community empowerment.

- It is also important that NDCs share their lessons about neighbourhood approaches and community empowerment with Government and organisations undertaking regeneration.
- The department will continue to work with NDCs on these priorities.

### Mixed Communities

**The CLG CSR07 briefing announcement mentioned funding for promotion of mixed communities but there is no mention of mixed communities in this announcement. When will an announcement be made in respect of mixed communities?**

- An announcement on funding for mixed communities will be made shortly.