

Consider the view  
that the City Challenge initiative  
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in Urban Policy

Essay

Course: Urban Regeneration in Britain

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submitted by Claus Faber

November 1994

## Consider the view that the City Challenge initiative represents a fundamental realignment in Urban Policy

Since the 19th century industrial revolution, every British city has experienced times of economic activity and decline. However, throughout these ups and downs, the inner cities constantly experienced major problems of social, economic and ecological nature. High unemployment, homelessness, 'trapping' and an over-representation of disadvantaged groups (women in the workforce, low-skilled, disabled, ethnic minorities, single parents) were some of the main contributory factors.<sup>1</sup> Various attempts have been made to handle these problems throughout this century. Some eased the situation, some did not. However, none offered a solution.<sup>2</sup>

City Challenge is currently the most recent attempt at rectifying this situation in an often confusing variety of programmes with specified procedures, requirements and competencies. Even the initiators of most of these programmes have had to admit that

*“Local authorities were particularly frustrated by the nature and scale of changes that policies with impact upon urban government and services have undergone during the decade. In the largest sense, the evolution of policy for the cities during the past decade was regarded less as an iterative process than as a series of policy oscillations.”<sup>3</sup>*

So why did the government introduce this new attempt, when the funds provided for City Challenge were not additional, but top-sliced from existing programmes? Is it just a redistribution of funds from failed schemes, or does it actually provide a new approach towards urban regeneration? This essay will concentrate on the underlying properties of the new programme and shed light on some of its effects.

Furthermore, this essay will briefly look at the future development of urban regeneration after this short-lived scheme has ended. It will provide a concise overview of the elements of City Challenge, those which are likely to remain and also those which are not.

This essay will not refrain from expressing or quoting views (where appropriate), in an environment where not only underlying values, but also the actual perception of reality, is based on opinions and beliefs. Nevertheless, it should assist in attaining an insight into the effect of City Challenge on urban regeneration in Britain.

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<sup>1</sup>[Audit Commission (1989), p. 11]

<sup>2</sup>[DoE (1994)]; see also: [Atkinson and Moon (1994)]

<sup>3</sup>[DoE (1994)], p. x

A variety of minor and temporary projects were launched by different governments from the last war until the 1970s, aiming mostly at special problems and narrowly-defined areas. Whereas the Labour Government with the White Paper in 1977 regarded urban regeneration as a topic of complex social reasons, the following Conservative Government era was characterised by almost opposite key elements: free market forces, individualism, private investment and the retreat of the state, referred to an almost 19th century concept developed by Hayek and Friedman. The only desired activity for the State is the control of the money supply and ensuring free market conditions.<sup>4</sup>

Newly introduced programmes brought these key elements into urban planning and development: deregulation, private investment, simplified planning, free enterprise: **Enterprise Zones, Simplified Planning Zones, Urban Development Corporations, City Grant** and several **co-ordination schemes** (City Action Teams, Task Forces, etc.) Urban regeneration was mainly understood in private investment, which was mostly physical development:

*“There has been a bricks-and-mortar approach to regeneration, resources have been channelled to areas with commercial potential and the poor have largely stood by — very occasionally rebelling, more commonly indulging in vandalism.”<sup>5</sup>*

The developers were not primarily responsible to provide other services such as education, medical care or affordable housing. The social aspect of the 1977 White Paper moved from a desired target to a 'logic result'. Together with this initiative the abolition of the (Labour controlled) Metropolitan Councils decapitated the strategic planning authorities: *“They are a wasteful and unnecessary tier of government.”<sup>6</sup>*

The 1988 speech “Action for Cities”, formulating the new approach of central government to urban regeneration rarely mentioned local authorities<sup>7</sup>. Central government planned and funded project areas, which bypassed local authorities and their demands.

These activities had remarkable results on physical development, but poor effects on other key issues such as unemployment<sup>8</sup>. The lack of co-ordination between central and local government proved to be counteractive. A new approach of integrating local governments was found, whilst “integration” didn't necessarily mean any more control for local authorities.

City Challenge was introduced in 1991 by Michael Heseltine, then the Secretary of State for the Environment (DoE). The funds provided for the first of the 2 rounds amounted to £82.5m per annum over a period of 5 years, distributed among 11 projects. These funds were top-sliced from seven existing programmes,

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<sup>4</sup>[Audit Commission (1989)], p.1; for further reading on the underlying economic concept see [Friedman (1962)] and [Butler (1985)], esp. ch. 11

<sup>5</sup>[Robson (1994a)]

<sup>6</sup> Conservative Party manifesto, May 1983, cit. in [Leach, et al. (1991)]

<sup>7</sup>[Cabinet Office (1988)]

<sup>8</sup>[DoE (1994)]

mainly from the Urban Programme, which will be reduced generally from £280m to £71m from 1990 to 1996<sup>9</sup>. The second round, announced in February 1992, provided £150m p.a., distributed among 20 projects.<sup>10</sup>

Fifteen local authorities were invited for the first round, joined by three bids of non-invited authorities, which chose to bid anyway. 11 winners were chosen, within Bradford, Dearne Valley, Liverpool, Manchester, Tower Hamlets, Newcastle and Nottingham. For the second round, all 54 metropolitan councils were invited to bid and 20 were chosen to win, within Blackburn, Sunderland, N. Tyneside, Barnsley, Sefton, Birmingham, Newham and Derby. Overall, only Barnsley won 2 bids in the same area.

The scheme to distribute the funds was carried out through a process of highly competitive bidding:

*“When I speak of the need for a sense of partnership in our modern cities, it is today's equivalent of that Victorian sense of competitive drive linked with social obligation.”<sup>11</sup>*

Nevertheless, many voices mourned the political dominance of the bidding scheme (“The winners and losers of City Challenge would appear sometimes to owe more to political clout than entrepreneurial bidding”)<sup>12</sup>. Furthermore, there is no direct correlation on the winners of City Challenge and the DoE's own ranking of deprivation. Rank 1 to 4 won, rank 5-7 and 9-10 lost.<sup>13</sup>

The granted funds are managed by a 'quasi-autonomous non-governmental organisation' (QUANGO), where all major partners are represented on the board of directors. The ultimate responsibility lies in the hands of the DoE. This corporation prepares an annual budget for the fixed share of funds, commissioned by the DoE, which is the basis of its spending. Funds not used in that particular year or that designated sector of activity, can rarely be kept for further spending. Ultimately, every major expense has to be commissioned by the DoE. The local authority does not have any executive power other than minority representation on the board.

Following the DoE City Challenge bidding guidance<sup>14</sup>, the aims of City Challenge are:

- to support strategies that will assist to attract outside investment
- to create a climate of environmental quality and enterprise culture
- development of locally-devised and time-limited plans, which will significantly benefit the residents of those areas
- effective co-ordination of the resources
- partnerships between local authorities and “all those that have a stake in the area”.

Areas chosen should have “substantial economic opportunities of be significantly deprived”<sup>15</sup> or both.

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<sup>9</sup>[Hetherington (1994)]

<sup>10</sup>[Atkinson and Moon (1994a)]

<sup>11</sup>Michael Heseltine in 1991, cit. in [Atkinson and Moon (1994a)]

<sup>12</sup>[Robson (1993)]

<sup>13</sup>[Atkinson and Moon (1994a)], p. 95

<sup>14</sup>[DoE (1992)], p. 2, abridged

To be chosen for City Challenge requires meeting key criteria:

- Goals must be achievable within 5 years and require a successor for permission of investment. The corporation is not allowed to invest in any project where a successor is not determined before application. This is a constraint which counts especially in cases, where local boroughs are in charge, but cannot take responsibility because funding is very low and is still being cut further.
- Partnerships, such as with the private sector, local community, central Government departments, police etc.
- Effective management, especially in partnerships with the private sector
- The bid must contain an end-state vision of the designated area, define current problems and strategic objectives, determine programmes and outputs. Especially, the expected leverage effect (which should amount to 3:1<sup>16</sup> at least) is of major importance.

City Challenge areas are very limited. This helps to control costs, but fails to tackle wider ranging problems within the boroughs. On the other hand, local initiatives, businesses and voluntary organisations have far less to go and can address their needs to a locally present authority<sup>17</sup>, even if it is not the elected one.

Also, City Challenge concentrates a vast amount of money in an area almost insignificant compared to all urban areas in England. The crucial question is: can an investment boost over a considerably short time period provide help against profound and complex problems of urban deprivation? If anything, it will only provide it in the winning areas.

However, although Heseltine believed “the disappointment [of the losers] will be temporary”<sup>18</sup>, the effect on their partnerships was disappointing. Having profited from other regeneration schemes like the urban programme, they are now left over with perhaps fruitful partnerships, which came together with the prospect of major investment and now face even more reduced funds.

The next to come: The Single Regeneration Budget

No third round has been assigned. The available funds, together with all other major regeneration schemes, will eventually be integrated into a £1.3bn of “prize money” (Heseltine), further joined by up to £200m European regional aid. Once again, this figure will be attained over the years by fading out the existing schemes from different departments, including the Urban Programme, Section 11 grants, City Grant and others. However, sceptics estimate that the overall funding of urban renewal will decrease over time by 40% from 1990 to 1996.<sup>19</sup>

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<sup>15</sup>[DoE (1992)], p. 2

<sup>16</sup>[Adonis (1992)]

<sup>17</sup>[Adonis (1992)]

<sup>18</sup>[Davenport (1991)]

<sup>19</sup>[Hetherington (1994)]

Some key elements of City Challenge will remain: the bidding procedure and the underlying requirements of triggering private investment. The ultimate decision and control will remain in the hands of central government, who will delegate it to their newly created regional offices. Again, this lies beyond local democratic control. One of the key elements of change is that there will be no fixed share (but funds up to £200m) to win. This will offer more flexibility to local demands.

To conclude, the key question is whether or not the outline of City Challenge can provide effective urban regeneration.

Generally, no one programme can compensate major economic deficiencies. I think, it would be unreasonable to expect this from a government, which intended this economic change and refuses to take the disadvantaged into consideration. As many problems of urban regeneration reflect economic decline, they need a much wider and extended approach than single flagship projects of different natures. The rival character of the bidding process especially left an integrated concept of urban regeneration throughout England still out of reach. From this perspective, City Challenge can be considered as another single short-lived attempt.<sup>20</sup>

Furthermore, one might argue that a bidding process resulting in 'losers' widens the gap between the commercially successful and the deprived areas, where improvement is most needed. There is strong evidence, that funds were allocated more to market demand instead of to actual need, leaving the question of whether market demand is an appropriate indicator for urban deprivation, unanswered.<sup>21</sup>

The key argument for bringing local governments back into the scene was the failure of regeneration without them. But the rules were still set by Whitehall. This overturned every other approach to regeneration apart from the Conservative Government's approach. It forced local councils to accept their schemes or else to remain aside with progressively shrinking funds. Competition for a finite pot may lead to desperate attempts in order to meet the winning criteria. This was clearly shown in the second round based on the results of the first. To obtain commercial success, a narrowed approach towards projects took place. Central control was increased.<sup>22</sup>

On the other hand, it induced activity and the involvement of many local bodies in partnerships, which have been overturned many times in the past. Despite the lack of local control, fruitful initiative by local authorities was carried out. City Challenge in this sense may be seen as a new successful approach.<sup>23</sup>

It is difficult to comment on the economic success of City Challenge, as little documentation has appeared due to the newness of this initiative. In particular, there is no statistical data yet available. I think, major economic results are not likely to materialise, due to the small size of the scheme and the area covered.

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<sup>20</sup>[Atkinson and Moon (1994a)], p.95; [Mabbott (1993)]

<sup>21</sup>[Atkinson and Moon (1994a)], p. 96, [De Groot (1993)], p. 197

<sup>22</sup>[Atkinson and Moon (1994a)], p.95

<sup>23</sup>[De Groot (1993)]

There is strong evidence, that the underlying criteria determining urban regeneration has not changed: a commitment to private investment, market forces, a minimum state intervention and the neglect of widespread social needs have carried all programmes since the early 80s<sup>24</sup>. Comparing City Challenge with its successor, the SRB, it can be assumed that the new bidding procedure produced desirable effects in the central government's opinion.

Generally, City Challenge showed some new approaches and attempts towards urban regeneration. It accepted the need for close local involvement of all partners. But some key aspects make a “a fundamental realignment” rather doubtful. There is no integrated land-wide concept of urban regeneration and the scale of City Challenge is too limited to produce major results. Furthermore, the concept of reallocating funds from all to a few will rather produce a widening gap between the “haves” and the “have nots” than an overall improvement of the situation.

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<sup>24</sup>[Cabinet Office (1988)], [DoE (1992)]

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