

Neighbourhood Policy Green Paper

Delivering Neighbourhood Renewal: Proposals for Change

The Independent Commission
on Neighbourhoods

May 2025

The Independent Commission on Neighbourhoods

The Independent Commission on Neighbourhoods (ICON) was launched with the support of Alex Norris MP, Minister for Local Growth, in September 2024. The Commission aims to address the significant challenges faced in England's most disadvantaged neighbourhoods and how tackling them could generate significant social and economic improvements in the lives that live in them. The initiative aims to build on existing research, generate new insights and propose concrete actions that could improve the lives and prospects of people living in these areas.

The Commission's Interim Report, *Think Neighbourhoods*, was published in March 2025.

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This Green Paper is a consultative document. The proposals contained within it should not be considered the final recommendations of the Commission, nor should its views be ascribed to any individual Commissioners or organisation. The Secretariat take responsibility for any errors or omissions within the report.

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Foreword

Seizing the neighbourhood moment

From Bishop Auckland to Ramsgate, Blackpool to Wolverhampton, it has been brilliant to get out and about.

Throughout 2025, myself and other ICON Commissioners and Secretariat have been visiting community initiatives and local leaders across the country.

We have heard inspiring tales of community-led regeneration in the face of enormous challenges: de-industrialisation over decades, austerity for the last decade or so, all followed by the immense struggles of the Covid-19 pandemic.

The visits have served as an important reminder that the best way for local places to change is for residents to lead the way.

But they can't do it alone. While the recipe for change exists locally – putting communities in the driving seat to pursue what works for neighbourhoods – the ingredients don't always.

This is why ICON has produced this Neighbourhood Policy Green Paper: a longlist of ideas that provide the ingredients for change, to be delivered at a hyper-local level by communities.

Crucially, this includes funding: that most precious of resource that so many of our most disadvantaged communities lack.

But isn't there no money around? Can we really afford this?

While money is of course tight, the state today is spending record sums in many areas. The sad fact of the matter is that too often this money is not being spent wisely.

That is why we make many proposals for better leveraging existing spending, as we did through the New Deal for Communities in the last Labour government.

The Commission has also seen examples of creative ways that local groups have delivered sustainable funding for local neighbourhood regeneration programmes. We hope to be

able to explore this further with government departments, including the Treasury.

But we need new government funding too, which is why I hope our suggestion for a new national neighbourhood intervention receives a fair hearing.

Because I think a better question to ask is: can we really afford not to invest in mission critical neighbourhoods?

Some of the statistics highlighted in ICON's analysis to date are truly shocking. Neglect, drift and decline are turning these places into a breeding ground for political disaffection, as we saw in the local elections earlier this month.

We have ignored these places for too long and are now reaping the costs of that. This must end.

The good news is that in Westminster, neighbourhoods are firmly back on the agenda. I am proud of ICON's role in delivering that.

To a packed room in March 2025, ICON launched its interim report, Think Neighbourhoods, alongside Alex Norris MP, Minister for Local Growth at the Ministry of Housing, Communities and Local Government.

Community leaders, journalists, public service workers, businesses, researchers, officials, advisors. It was great to see so many of you in the room and the enthusiasm for our agenda.

That same energy was on display for the two-day policy workshop convened by ICON in Church House, Westminster, in April 2025.

For the first time in years, neighbourhoods are back at the heart of public policy. This is clear from the string of government announcements which put 'think neighbourhoods' at their heart.

Last month, the Prime Minister announced a significant investment in neighbourhood policing. Proposals for a 'neighbourhood health service' are taking shape, and the Plan for Neighbourhoods represents a step in the right direction for place-based funding.

These are important moves, but there is scope and the need to go much further. To do justice to the places that I have worked in my whole life, and which I have had the privilege of visiting this year. Because the path to national renewal – the mission of this government – lies in neighbourhood renewal.

This Green Paper represents ICON's initial proposals for delivering neighbourhood renewal, ahead of the publication of our final recommendations in the Autumn this year.

I look forward to hearing what you make of our proposals and would encourage as many of you as possible to respond to the Green Paper's consultation.



Baroness Armstrong of Hill Top

Chair of the Independent Commission on Neighbourhoods

Executive Summary

National renewal is neighbourhood renewal

We are living through the toughest times in recent memory. A stagnating economy, crumbling public infrastructure, public services under severe pressure. At the same time, the government is being stretched internationally by rising geopolitical insecurity and global economic instability. The public are tired and at times angry with the state of the nation.

However, although these challenges are grand in scale, the solutions to many of them resides locally in our neighbourhoods. Fortunately, the government is increasingly recognising the need to think neighbourhoods, as we called for in our Interim Report.

Building a 'neighbourhood health service' is at the heart of NHS reform proposals. The Prime Minister recently announced plans for a significant expansion of neighbourhood policing. The Community Wealth Fund and £1.5 billion Plan for Neighbourhoods recognises the need for a stronger emphasis on the hyper-local in government regeneration programmes, with the government rightly acknowledging it has more to do on that front.

Our proposals build on the direction of travel within government, but we must go further and faster. We need to be radical if we are to turn around the most disadvantaged places, the "mission critical neighbourhoods" that are furthest away from achieving the government's five missions. We have identified 613 mission critical neighbourhoods in England that need the most support. Without improvements in these places, the government's mission agenda will be mission impossible.

Using every tool in the toolbox

In our recent report, *The Anatomy of Mission Critical Neighbourhoods*, we have outlined some of the major challenges facing some of the most disadvantaged places in England particularly around the economic activity, skills and health.

There are 1m people living in these mission critical neighbourhoods.

Half of adults in mission critical neighbourhoods (375,000) are economically inactive. Moreover, 40% of working-age people in mission critical neighbourhoods have no qualifications – more than double the national average.

Productivity is 40% lower in mission critical neighbourhoods. We estimate that Gross Value Added (GVA) per working age person in mission critical neighbourhoods is 40% lower than all other neighbourhoods, at £33,100 compared to £54,500 elsewhere.

On our visits, we have found a worrying sense of despondency, with many people doubting whether there is enough political will to tackle the problems that they face.

This is not simply anecdotal. A national survey of people in England by Public First found that just one in five living in the most disadvantaged places (21%) believe that their neighbourhood will get better over the next five years. Just 6% of people in these places believe that the government cares about neighbourhoods "like mine".

This is not surprising given the experience of people living in these places. Over the past few decades, these places have suffered a series of hammer blows from economic decline to austerity and then the pandemic. Alongside this, society is changing with an ageing population putting greater demands on public services and digital technology changing the lives of young people.

The truth is that improving the lives of people in these neighbourhoods is going to take all the resources that the state, business, and civil society can muster. We must use every tool in the toolbox.

There will be no silver bullet to delivering change.

We must also consider resource in its broadest sense, not simply financial but cultural.

As we called for in our Interim Report, we need to “think neighbourhoods” and redesign the way that the state works to enable the conditions for every neighbourhood to thrive and for the people living in them to realise their potential. This cultural shift is as important as any specific policies or interventions.

The good news is that whilst mission critical neighbourhoods face significant challenges, the rewards for improving them would be significant. For example, there are tens of thousands of people that could be helped into work at a time when there are over 780,000 job vacancies nationally. Improving the productivity of these neighbourhoods in line with the national average could add £4.5bn to the economy – generating £1.6bn in additional tax revenues.

Government should not look at mission critical neighbourhoods as a demand on the public sector and public services, but as a source of opportunity.

This Green Paper lays out options for how we can improve the outcomes of mission critical neighbourhoods and improve the lives of the million people that live in them.

Policy development

Having made the ‘case for neighbourhoods’ in our interim report, *Think Neighbourhoods*, we now move to suggest policy measures that the government should adopt to deliver neighbourhood renewal. At a time when the government is conducting the Spending Review, the outcome of which will be published in Summer 2025, we hope to make a positive contribution to discussions inside and outside government as to the future direction of neighbourhood policy.

This Green Paper draws upon research commissioned by ICON and produced by Frontier Economics, which synthesises national and international evidence on how targeted interventions at the neighbourhood level can improve outcomes for communities facing deprivation. This was published by ICON in March 2025.

We also carried out a two-day policy consultation with St George’s House in February 2025 supported by ICON to identify the challenges facing neighbourhoods in

England and the history of policy interventions to improve outcomes. A two-day policy workshop was held in April 2025 by ICON. A longlist of policy options was circulated ahead of the workshop with attendees, with the longlist ‘stress-tested’ by attendees over the two days. In addition, over forty pieces of evidence submitted by organisations in response to ICON’s initial call for evidence. Where useful, we have also carried out additional desk-based research and evidence analysis.

Structure of the Green Paper

This Green Paper is structured into three parts, each focusing on a distinct type of policy area. Throughout, we draw attention to synergies with existing or proposed government policy.

A new national neighbourhood intervention

This considers the development of a new ‘area-based initiative’ for neighbourhoods building on the legacy of policies such as the New Deal for Communities, Big Local, and the recently announced Plan for Neighbourhoods.

Given the significant challenges facing mission critical neighbourhoods, we have found consensus for the need for a targeted programme of investment and support for these places.

Rewiring the central and local state to ‘think neighbourhoods’

Neighbourhoods are influenced by a whole range of services and programmes across the public sector, not simply those that are targeted at the most disadvantaged neighbourhoods. We have heard how decisions made around policies or spending in one policy area can significantly worsen outcomes in mission critical neighbourhoods. More positively, there is an opportunity to join up various parts of the local, regional and national state to make them more than the sum of their parts.

We need to ensure that all policies and programmes developed by the state think neighbourhoods.

Here, there is the opportunity to connect with the government's devolution and local government reorganisation agenda, ensuring that power flows to the lowest appropriate level for neighbourhood policy making. We also welcome the emerging focus on neighbourhood working in the government's cross-government public service reform agenda, as the Cabinet Office are setting out through its 'test and learn' approach to reform.

There is also the opportunity to learn from brilliant neighbourhood working and existing attempts to integrate public services hyper-locally from pioneering local leaders. From Wigan to Barking and Dagenham, Gateshead to Plymouth, the last decade or so has seen a wave of experimentation, often driven by the pressures of austerity. National leaders must learn from this creativity, working in partnership with local trailblazers.

Delivering a sustainable future for mission-critical neighbourhoods

Repeatedly, we have heard the need for interventions in these neighbourhoods to be long-term. Change can take years, even decades. We need policy interventions and programmes that are built to last.

Sustainability can take several forms, from ensuring consistent support from the state to developing enterprising solutions at a local level to fund and subsidise social infrastructure.

The need to deliver sustainability and resilience is the very essence of 'mission-driven government', which at its core is about ending what the Prime Minister has called "sticking plaster politics". This includes thinking creatively about non-state funding to deliver government objectives, for example through the government's Social Impact Investment Advisory Group.

Testing the ideas more broadly

The policies contained in this Green Paper are the start of a conversation.

It is not the final determination of the answer of the Commission but laying out a broad set of options that can be further refined and improved.

Alongside these neighbourhood-level interventions, we are also considering dedicated thematic policy work based on key mission priorities such as growth, health, and crime in collaboration with experts. We will publish these over the coming months.

We want to hear from interested stakeholders about their views and ideas in response to or in addition to the ideas outlined in this Green Paper. We have outlined several questions that we are interested in for each proposal in this document.

We are now consulting publicly on the proposals in this Green Paper, encouraging consultation responses by Friday 25th July 2025.

These responses can be submitted using [this response form](#).

We are immensely grateful in advance to everyone that engages with our work and offers feedback.

The responses and submissions we receive will inform the final recommendations of the Commission.

Summary of Policy Options

1. A new national neighbourhood intervention

Rewiring central government to 'think neighbourhoods'

Policy making process

2. Neighbourhood Test
3. Mission Delivery Prioritisation Framework
4. Civil service neighbourhood 'tours of service'

Evidence, data and analysis

5. Neighbourhood Analysis Excellence Centre (NAEC)

Financial flows and distribution

6. Social infrastructure definition and need assessment

Administrative and structural changes

7. Neighbourhood Recovery Unit & Neighbourhood Recovery Strategy
8. Commissioner for Neighbourhoods
9. Neighbourhood Recovery Zones

Empowering local government to 'think neighbourhoods'

Leveraging existing local public service spending

10. Neighbourhood Expenditure Audits
11. Neighbourhood Agreements
12. Neighbourhood Budgets
13. Neighbourhood Respect Duty

Rights and duties

14. Right to 'Call In'
15. Neighbourhood Right to Request Time
16. Neighbourhood Right to Control Investment

A sustainable future for neighbourhoods

17. Neighbourhoods Mobilisation Formula (NMF)
18. Neighbourhood 'Match'
19. National Neighbourhoods Endowment
20. Mission Bonds

Chapter 1 – A new national neighbourhood intervention

The case for a new national neighbourhood intervention

Neighbourhood interventions are policies focused on a geographically defined area, in this case a neighbourhood, which aim to improve the economic and/or social wellbeing of that neighbourhood. Neighbourhood interventions have a rich history in the UK, from Community Development Projects in the 1970s, the Single Regeneration Budget in the 1990s, and the New Deal for Communities in the 2000s.

As described by Frontier Economics, assessing whether neighbourhoods are the correct scale for targeting and delivering policy requires three questions to be answered:

- Do challenges cluster at a neighbourhood level?
- Do ‘neighbourhood effects’ exist? Neighbourhood effects are the processes by which the characteristics of a neighbourhood affect the characteristics of the residents of the neighbourhood.
- Does the evidence suggest that delivering interventions at a neighbourhood level is the appropriate level for addressing neighbourhood challenges?

Challenges clustered at a neighbourhood level

The government has outlined five major national missions to deliver a “decade of national renewal”.

1. Kickstart economic growth – to secure the highest sustained growth in the G7 – with good jobs and productivity growth in every part of the country making everyone, not just a few, better off.
2. Make Britain a clean energy superpower – to cut bills, create jobs and deliver security with cheaper, zero-carbon electricity by 2030, accelerating to net zero.

3. Take back our streets – by halving serious violent crime and raising confidence in the police and criminal justice system to its highest levels.
4. Break down barriers to opportunity – by reforming our childcare and education systems, to make sure there is no class ceiling on the ambitions of young people in Britain.
5. Build an NHS fit for the future – that is there when people need it; with fewer lives lost to the biggest killers; in a fairer Britain, where everyone lives well for longer.

Although the missions are national in scope, ICON's hypothesis was that ‘mission need’ (i.e. places which most need progress on the government's missions) would be clustered in a small number of neighbourhoods. These are places where economic and social challenges have clustered, creating ‘sticky’ places, where it is difficult to make improvements due to negative neighbourhood effects and feedback loops.

To test this hypothesis, ICON commissioned Oxford Consultants for Social Inclusion (OCSI) to develop an index that measured data across all the five key mission areas in England and identify which places had the relatively highest need to deliver the missions. We call this the Hyper-Local Need Measure (HLNM).

Hyper-Local Need Measure (HLNM)

The Hyper-Local Need Measure is a composite scoring exercise that pools various data sources across each of the missions available at a neighbourhood level. Mapping has been done at both a Local Super Output Area (LSOA) level and local authority level.

This new measure provides a snapshot of the condition of different neighbourhoods against five different types of need, each reflecting the main benchmarks of success that sit beneath the government's five missions:

Economic growth: This domain reflects the economic conditions of different neighbourhoods, and includes, for instance, levels of worklessness, access to high quality jobs including in high-growth industries, levels of labour productivity, and skills.

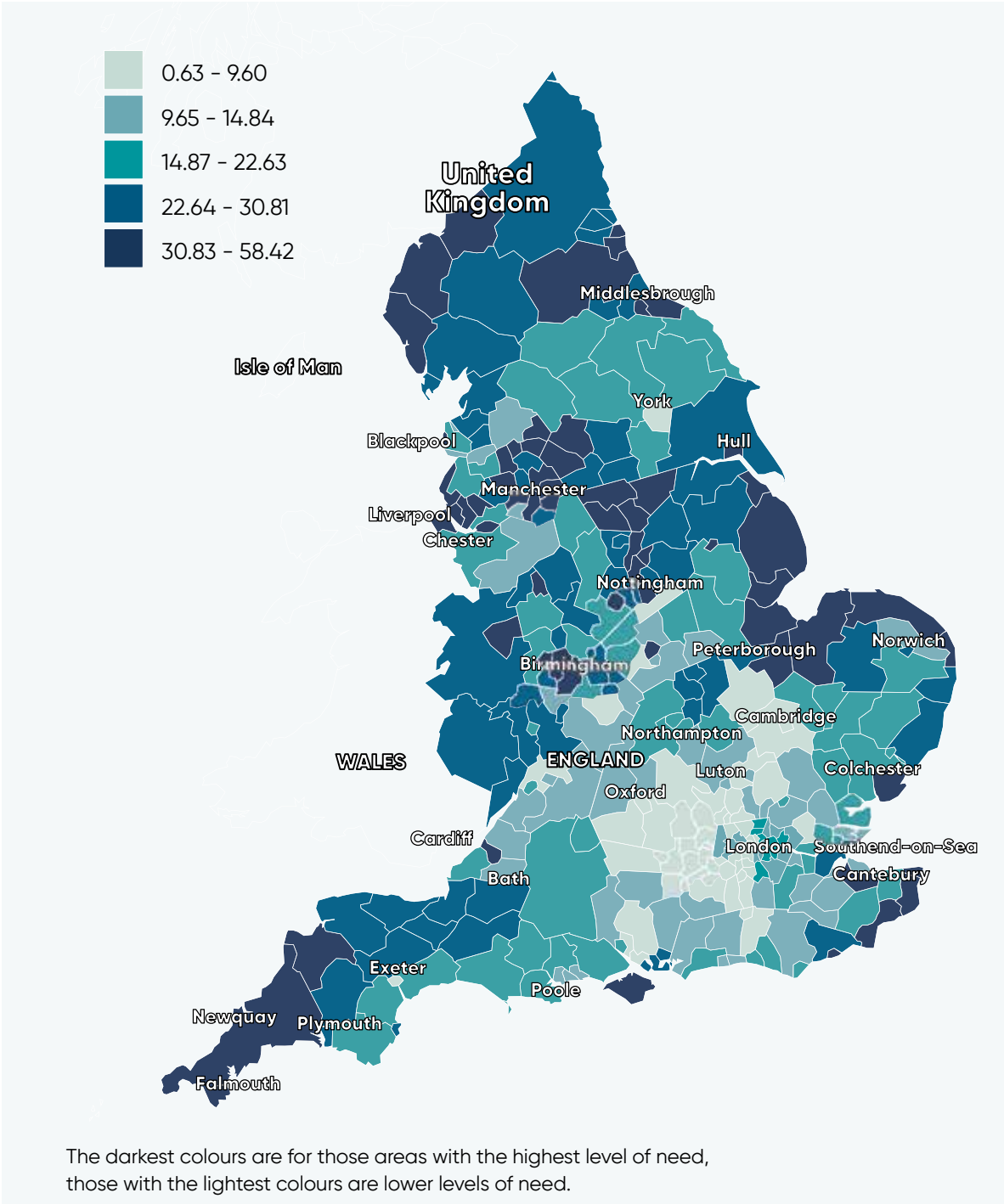
Opportunity: This domain reflects the extent that different neighbourhoods experience child poverty, deprivation affecting children and young people; limited access to childcare services; low educational attainment in Key Stages 2 and 4, as well as the general quality of local schools.

Health: This domain reflects the quality of neighbourhood health and health services, including the prevalence of disability and adult social care need; life expectancy and mortality rates; ill health; and levels of access to health services.

Crime: This domain reflects the extent that different neighbourhoods experience high levels of crime, and includes violent crime, burglary, theft and criminal damage.

Energy: This domain reflects the extent that energy is a barrier to progress across different neighbourhoods, and includes the proportion of households in fuel poverty; dwellings with low energy efficiency; as well as a carbon footprint measurement .

Figure 1 – The density of mission disadvantaged neighbourhoods in local authorities across England



Source: OCSI

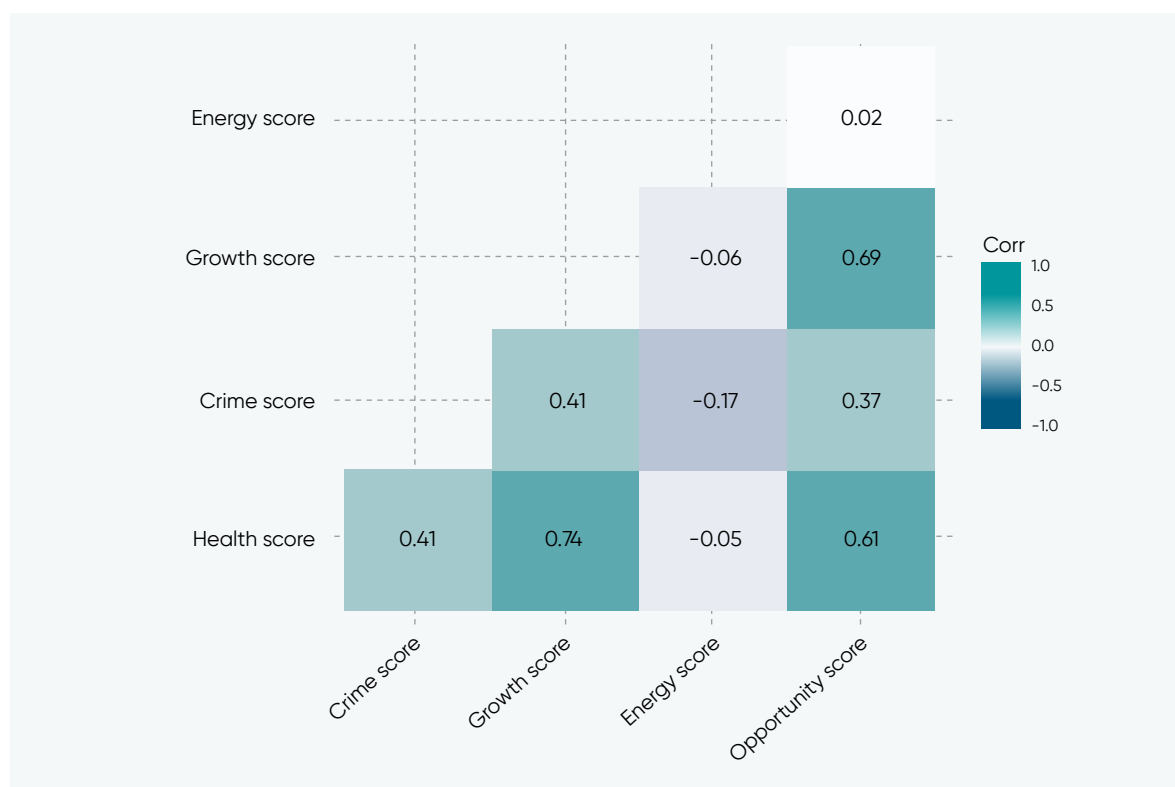
Neighbourhoods with the highest levels of need (shaded darker on the map) are largely concentrated in the North of England—particularly around cities such as Manchester, Liverpool, Sunderland, and Newcastle—as well as other post-industrial regions like the West Midlands (including Birmingham). Some of the most acute need is concentrated in coastal towns such as Blackpool, Clacton, and Great

Yarmouth, with considerable concentrations of high need spread across the Lincolnshire, Norfolk, Kent, and Essex coastlines. Conversely, the neighbourhoods we identify as having some of the lowest need are typically clustered within more affluent areas in the South East – particularly across Wokingham, Westminster, Guildford, and Hart.

Figure 2 compares correlation across the five mission domains identified in the HLMN. The energy domain is least linked to the other four mission areas. Effectively, targeting neighbourhoods that score poorly in terms of progress towards the government's clean power mission is unlikely to help achieve progress across other mission areas.

By contrast, neighbourhoods that are disadvantaged in terms of the health mission are more likely to be disadvantaged in terms of growth and opportunity. Therefore, we believe that the government should not use neighbourhoods as a lens to achieve its energy mission. Focus should be given to the other four missions which are more closely correlated.

Figure 2 - Correlation matrix of the five "mission domains" of the Hyper-Local Need Measure



Source: ICON analysis of OCSI Hyper-Local Need Measure

These overlapping patterns of need across the different mission domains also highlight how certain types of disadvantage cluster together – with poor health and health services, economic underperformance, and a lack of opportunity for younger people frequently reinforcing each other. Looking ahead, addressing these interconnected challenges will be critical to the government ensuring that the most disadvantaged neighbourhoods see direct benefit from the ambitions of the government's mission agenda. This will require a coordinated approach that goes beyond treating any one issue in isolation, ensuring that policy interventions tackle multiple challenges within neighbourhoods, and laying stronger foundations for lasting improvement.

Neighbourhood effects

Having examined the clear evidence that neighbourhood challenges cluster at a neighbourhood level, we now consider whether neighbourhood effects exist. Neighbourhood effects are the processes by which the characteristics of a neighbourhood affect the characteristics of the residents of the neighbourhood. Frontier Economics conclude that:

"Neighbourhood deprivation levels appear to have a causal effect on individual outcomes, such as income, employment, education and health both in England and internationally."¹

¹ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

The literature suggests that over the short-term, neighbourhoods impact health outcomes and the subjective wellbeing of adults. Over the long-term, cumulative exposure to neighbourhood deprivation then begins to affect economic wellbeing, such as incomes. Neighbourhood outcomes experienced as a child are particularly important, significantly shaping educational outcomes, such as educational attainment, and economic outcomes, such as incomes, later in life. Frontier also note that there is emerging evidence to suggest that neighbourhood deprivation is “sticky”; living in a deprived neighbourhood earlier in your life increases your chances of living in a deprived neighbourhood later in life.²

The efficacy of neighbourhood interventions

In their literature review Frontier Economics found that neighbourhood programmes can be successful:

“A deep-dive review of six neighbourhood programmes from within the UK and abroad were found to be successful at tackling socio-economic deprivation and represent excellent value for money. While neighbourhood programmes lay the foundations for economic growth and jobs, interventions aiming to boost growth and jobs should take place at a wider spatial scale than the neighbourhood.”³

The New Deal for Communities, one of the largest neighbourhood-level regeneration programmes in history, was remarkably successful and was thoroughly evaluated. Independent evaluation found these neighbourhoods saw an improvement in 32 of 36 core indicators spanning crime, education, health, worklessness, community and housing and the physical environment. For 26 out of the 27 indicators where

significance testing was possible, this change was statistically significant.⁴ Evaluation of the New Deal for Communities found a benefit-cost ratio of between 5.08 and 3.13 for every pound invested depending on the methodology used.⁵ Similar positive progress was made in Northern Ireland through its own neighbourhood-based regeneration programme, although a less thorough evaluation means that direct comparison with the New Deal for Communities is not possible.⁶ International area-based initiatives such as the East Lake Initiative in Atlanta City and Communities for Children in Australia also show that neighbourhood level interventions can improve outcomes.⁷ New evidence has emerged that neighbourhood-based initiatives such as Sure Start have also had a positive effect.⁸

1. A new national neighbourhood intervention for England

Having seen the strong case for a new neighbourhood intervention, we now consider what shape such an intervention should take. Throughout we identify lessons from past initiatives in this space.

This intervention would build on the government’s Plan for Neighbourhoods £1.5bn, complementing that programme to concentrate resources on mission critical neighbourhoods that are hardest to reach. A second phase would enable the benefits of the Plan for Neighbourhood’s initial concentration on general improvements to large population areas of towns to reach the most disadvantaged places.

Objectives

Without a clear sense of objectives, it will be hard to assess what should be carried out as part of the programme. It is also essential for judging whether a programme was a success or not.

² Ibid.

³ Ibid.

⁴ Department for Communities and Local Government, The New Deal for Communities Experience: A final assessment, March 2010

⁵ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

⁶ Ibid.

⁷ Ibid.

⁸ Carneiro, P et al, The Short- and Medium-Term Impacts of Sure Start on Educational Outcomes. Edited by Judith Payne. London: The Institute for Fiscal Studies, 2024

Previous neighbourhood interventions have had a range of different objectives. The Single Regeneration Budget (SRB) was previously the UK government's main tool for improving deprived communities. Launched in 1994, it was in operation until 2002 and replaced more than twenty different previous funding streams and initiatives. Projects funded through the SRB were required to meet one of seven objectives: enhancing employment prospects and skills; encouraging sustainable economic growth; improving housing; benefiting ethnic minorities; tackling crime and safety; protecting and improving the environment; and enhancing the quality of life.⁹

The New Deal for Communities, New Labour's flagship regeneration programme, reflected a broader realisation that too much emphasis was put on activity and not enough emphasis on the true purpose of public policy: outcomes, or real change in people's lives. As a result, the NDC's objectives put a strong emphasis on outcomes, defining six core outcomes which NDC partnerships were to advance. These were three place-related outcomes: crime, community, and housing and the physical environment (HPE), and three people-related outcomes: education, health, and worklessness.¹⁰

However, a strong emphasis on outcomes in policy design does not necessarily mean that there needs to be a focus on outcomes in terms of delivery. There is a difference between outcomes-based and outcomes-focused programme design.

Outcomes-based programmes are those that have strong evidence for improvements in outcomes but seek to build the foundations that will lead to improvements in outcomes in due course rather than trying to directly solve a particular challenge. *Outcomes-based* programmes have a greater sense of flexibility and do not restrict activity towards only those things which have a direct causal link to the delivery of a specific outcome. An example would be providing financial support

to a community centre in a disadvantaged neighbourhood, where positive outcomes are likely (e.g. improvements in mental health, providing training or job opportunities) but where a range of activities not directly linked to those activities are undertaken (e.g. food pantry, arts clubs etc).

Outcomes-focused programmes are those that seek to deliver an activity or intervention that is specifically related to a defined outcome. *Outcomes-focused* programmes rely on evidence that a particular activity or intervention is known to lead to a positive outcome and are more restrictive in nature. Examples would be a fitness plan to help people to stay active or a training course for new parents. In these scenarios, the intervention or activity is focused on a particular outcome (e.g. improving health and wellbeing) and accountability is built in to ensure delivery of those outcomes.

Neither approach is necessarily better than the other and both approaches can co-exist within the same setting (e.g. funding a community group that delivers arts projects can both create positive 'spill over' effects and be specifically focused on improving access to the arts for a particular community). However, in designing programmes, identifying whether a programme is seeking to directly address a particular policy priority or whether it is foundational to creating the conditions in which such outcomes can emerge is important.

As noted in our Interim Report, we know that one of the ways that we can improve outcomes within neighbourhoods is through building social capital through strengthening the social infrastructure within places. Higher levels of social capital are linked to several key policy outcomes from, improved health and wellbeing to reducing crime. However, we also know through our visits and engagement with communities that social infrastructure needs to be community-led and shaped by them. Putting too much emphasis on short-term outcomes not only reduces the flexibility for communities

⁹ John Rhodesi, Peter Tyler and Angela Brennan, The Single Regeneration Budget: A Final Evaluation. Available at: https://web.archive.org/web/20180411062142id_/https://www.landecon.cam.ac.uk/pdf-files/urban-and-regional-analysis/part1-final-eval-feb-07.pdf

¹⁰ Department for Communities and Local Government, The New Deal for Communities Experience: A final assessment, March 2010

Questions for consultation:

- Do you think a programme should take an “outcomes-based” approach or an “outcomes-focused” approach?
- How can we ensure any renewal programme is community/resident-led?
- How do we ensure that evidence and data is collected on key outcomes without overly restricting the work at a community-level?

to shape social infrastructure development, but it also reduces the sense of agency that local people have, further reducing the trust and capital built in those places.

Government policies which aim to build social capital need to take a different approach to other forms of public policy. An overly instrumental approach (e.g. funding social infrastructure to deliver on X, Y, Z outcomes) is likely to squash the very initiative that we are seeking to support.

This is why we recommend that the government should take an outcomes-based approach to a new neighbourhood renewal programme. This would draw on the evidence of what has worked in previous programmes (e.g. community leadership, long term partnership, capacity building support etc.) but having confidence that successful development of social infrastructure and building social capital will achieve key policy objectives – as demonstrated in the past.

Prioritisation is inevitable given the current fiscal environment and the biggest gap in the provision of social infrastructure is in the mission critical neighbourhoods, with 61% being doubly disadvantaged (i.e. being both deprived and having low levels of social infrastructure) as defined by the Community Needs Index.

Neighbourhood definitions

We have seen a strong case already for targeting and delivering interventions at a neighbourhood level. But how should we define a neighbourhood? The neighbourhood is not a scientific notion, defining one can be more of an art than science.

Yet there are many practical ways to define a neighbourhood which we can draw on. Frontier Economics describe how three attributes, or a combination of the three, are typically considered central to understanding how a neighbourhood should be defined:

Table 1 – Three attributes central to defining neighbourhoods

Attribute	Description
Geographical characteristics	Natural elements, such as rivers and hills, and human created features, such as major roads, railways, and other infrastructure play a role in shaping neighbourhood boundaries by influencing residents' patterns of movement, accessibility of resources, resident interactions, and attractiveness of the area.
Public service provision	Access to parks, schools and other public services like transport and health influence how residents interact, the appeal of a neighbourhood, and residents' quality of life. For example, who children and their parents interact with is likely affected by school catchments.
Social networks	This is a 'felt' definition of the neighbourhood based on self-identification of neighbourhoods by residents, shaped through daily interactions, social connections, and shared values.

Source: Frontier Economics

Based on these attributes, there are broadly speaking three practical ways of defining neighbourhoods, as set out in Table 2. It's clear there are potential tensions between these different approaches. For example, while LSOAs sometimes correspond with what will be recognised locally as a neighbourhood,

this is not always the case. As a result, a resident-led definition of a neighbourhood may not fit with statistical geographical units; creating a trade-off between residents-shaping interventions and the neatness required for high-quality statistical analysis.

Table 2 – Three ways to define a neighbourhood

Approach	Description
Administrative units	Standard administrative units, such as LSOAs in the UK, can provide pre-defined geographical boundaries to represent the neighbourhood. These units offer several benefits, including ready access to data, consistency over time for long-term evaluations, easier policy implementation due to alignment with public service structures, and flexibility in aggregating data for larger analysis. However, if defined too broadly, these units can risk masking local variations in need, and in particular, pockets of deprivation. In addition, there is little reason to expect residents' lived experiences of neighbourhoods to follow such boundaries, meaning policies may be poorly targeted.
Buffer zones	These provide a method for defining neighbourhoods by drawing unique boundaries around individuals based on a specified distance or population threshold surrounding their homes. This approach offers flexibility and customisation, allowing thresholds to be adjusted to align with the spatial scale most relevant to the policy context. In addition, buffer zones tend to more accurately reflect the immediate environment around an individual, and where they are likely to travel. However, challenges arise regarding data availability and selecting the appropriate threshold as there is no consensus on the optimal size for buffer zones. Finally, buffer zones do not create cohesive geographic units for targeting interventions, and overlook the social dynamics of neighbourhoods, which may result in misalignment with residents' social perceptions and lived experiences. This approach has primarily been used for policy evaluation, rather than policy design and implementation.
Resident-defined boundaries	This approach allows residents to define their own neighbourhood boundaries by translating their 'mental maps' onto real maps. Using this approach enables boundaries to best reflect residents' perceptions and experiences of their neighbourhoods. In addition, it can be used to capture valuable qualitative insights into neighbourhood dynamics, social networks, and local identities, providing policymakers with a clear picture of local needs and preferences. However, the main challenge is that this method produces subjective individual boundaries – if there is not consistent overlap, it may not provide the clear geographic boundaries needed for targeting policy.

Source: Frontier Economics

Based on our engagement so far, we believe that the starting point for targeting any area-based initiative should be granular standard administrative units. The rationale for this is that data is readily available for such units, essential to understanding where policy should be seeking to help and what the primary issues might be in such a place.

ICON has used Lower Layer Super Output Area data, which typically covers places with 1,000 – 3,000 residents. This is for two reasons. First, it is consistent with previous neighbourhood interventions in England, so the efficacy of any new intervention could be compared with previous interventions. Second, as discussed above, there is strong evidence that mission-need and deprivation cluster at the hyper-local level at which LSOAs operate.¹¹

However, we recognise that LSOAs do not always, or even perhaps often, correlate with the view on the ground of residents; and the definition of residents is essential. The Big Local programme has found that where the geographical boundaries of a Big Local correspond to residents' mental map of their neighbourhood, initiatives have been much more successful. In many cases, Big Local areas were larger than LSOAs.

As a result, there is an additional need to consult residents on the geographical boundaries proposed using standard administrative units. Any programme should begin at a LSOA level but then ask local people to define their key target area within an LSOA, as a population level larger than an LSOA will be harder to succeed. This would maximise the chance of positive neighbourhood effects being generated and provide sufficient ownership and motivation for people to engage with the programme, as noted in our Interim Report. Ultimately, we believe that definition cannot be imposed from the outside, it needs to be built up within places, with administrative units as a guiding point to begin the conversation, but with local people given control over the final boundaries and scale.

Location of interventions

Over 80% of neighbourhoods in England score 40 or less in our Hyper-Local Needs Measure, putting them at relatively low need for the government's missions. These neighbourhoods need to be continually monitored for mission outcomes to ensure that they do not fall behind, but progress towards the missions in the short term is unlikely to make a significant difference to these places or to people's perceptions of their neighbourhood. Approximately 41m people live in these neighbourhoods.¹²

Another 15% of neighbourhoods in England score between 40 and 80, these are the middle tier of neighbourhoods that do need further support in delivering the missions. Approximately 8m people live in these neighbourhoods.

Finally, there are 613 neighbourhoods that score 80 or higher in the HLNM. We call these the "mission critical neighbourhoods". These are the neighbourhoods that require the most urgent attention and will need to change to make substantial progress on the government's missions. Their residents are the "mission million", the 2% of the population where resources need to be targeted to deliver the missions and achieve the decade of national renewal that is the current government's overarching objective.

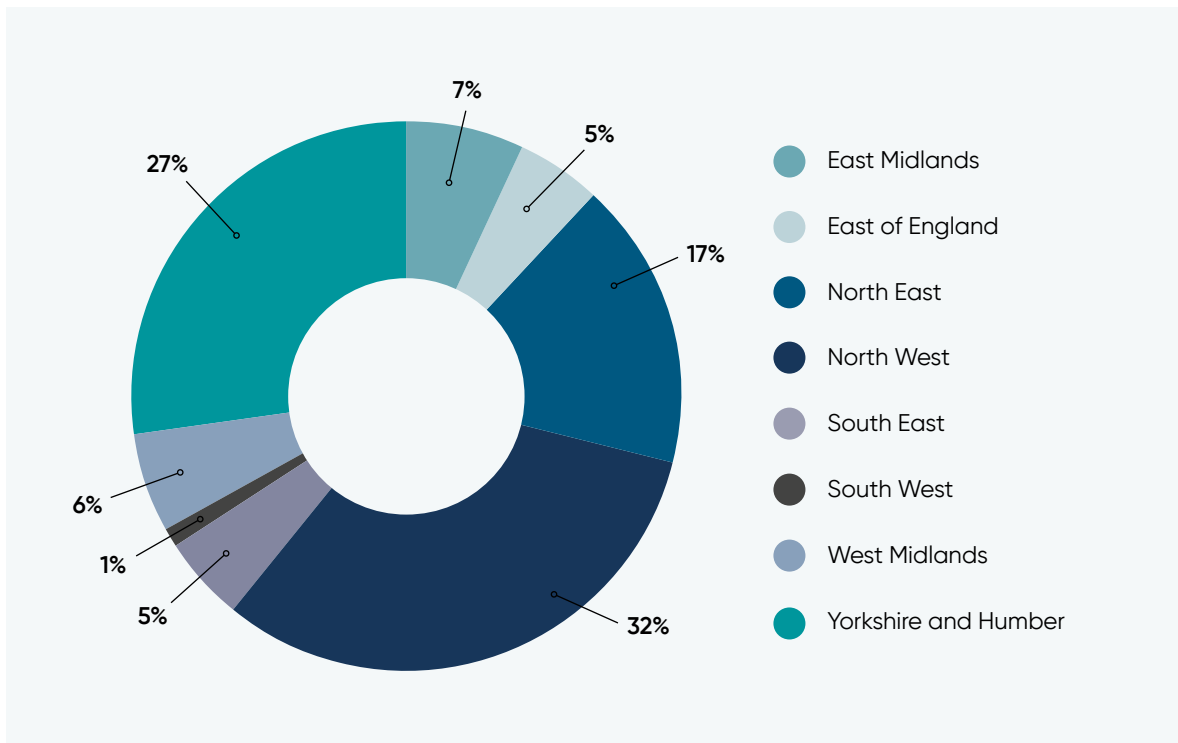
Questions for consultation:

- Is the LSOA level the right starting point for the scale of any new neighbourhood intervention?
- How should we balance the need for data with the views of residents with the desire for data accuracy and the need to measure and identify?

¹¹ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

¹² Based on the ONS average size of LSOA level of 1,500 people

Figure 3 – Mission critical neighbourhoods by region



Source: ICON analysis

Figure 3 shows that over three-quarters (76%) of mission critical neighbourhoods are in the North of England, with the North West and Yorkshire and Humber. The North East region has the highest proportion of mission critical neighbourhoods as a proportion of its population, with 3.9 mission critical neighbourhoods per 100,000 of population, compared to 3 and 2.7 for Yorkshire and Humber and North West respectively.

Longitudinal research funded by The Nuffield Foundation found that neighbourhood effects do have an impact on individual outcomes because of stickiness of neighbourhoods.¹³ This is because socioeconomic need clusters at the hyperlocal level. Those who are poorer and sicker are forced to stay put and become trapped in certain areas, whereas people who do better and earn more money tend to move on and out.

Policies are put into effect and investments made into public services, but they fail to consider the challenges within neighbourhoods that can prevent them from taking root. On our visits, for example, we have seen firsthand how hard it can be for traditional public services to reach the areas

that need them most and this makes it harder to tackle the structural problems driving poor policy outcomes. According to Frontier Economics analysis of the academic literature, "there are early indications that neighbourhood deprivation is 'sticky'...however this needs to be studied further. Coupled with the impacts of cumulative deprivation and the large significant effects for children, there may be a particularly sizeable role for neighbourhood deprivation to affect an individual's outcomes."¹⁴

It is important to define the criteria for a neighbourhood's inclusion in a new intervention. A variety of approaches could be taken here. Central government could itself identify the relevant neighbourhoods for inclusion in any programme, based on, for example, deprivation statistics. Alternatively, a competitive approach could be taken, with an open call announced by central government, with bids prepared and those selected determined in a competitive fashion.

Frontier Economics' analysis of six global neighbourhood interventions found that none used a competitive approach and instead identified

¹³ Knies, G. & Melo, P. Investigating people-place effects in the UK using linked longitudinal survey and administrative records. London, Nuffield Foundation, 2019

¹⁴ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

neighbourhoods for inclusion in the programme using deprivation measures. They conclude that:¹⁵

"While this means that it is not possible to compare the impacts with neighbourhood schemes that require competitive tendering, the success of allocating funding and designing programmes without this requirement suggests that this approach could serve as a model for future initiatives."¹⁶

We agree with this analysis and recommend against using a competitive approach. In terms of determining which areas will participate, this will reflect two things. First, the objectives of the intervention, which we have considered in detail above. For example, if the objective of an intervention is to close the gap between rich and poor neighbourhoods, it would not make sense to run the intervention in rich areas. However, if the objective is concerned about absolute change, then it may still make sense to do this (if one is interested in improving neighbourhood outcomes everywhere and/or for everyone). Second, the budget available for any new intervention will also be an obvious limiting factor in how many locations are available for inclusion. A measure such as ICON's Hyper Local Needs Measure could be used to identify the places, or similar indexes, such as Local Trust's Community Needs Index to identify those areas to be prioritised for intervention. These are both developed through Oxford Consultants for Social Inclusion (OCSI) and are based on weighting of publicly available data that can be found (or modelled) at a neighbourhood level. In particular, those places which are "doubly disadvantaged" and are furthest behind the government's mission objectives both in terms of lack of social infrastructure and high levels of deprivation should be prioritised for support.

Finally, the government may wish to consider co-locating new neighbourhood interventions alongside other place-based interventions. This would deliver greater 'bang for buck' for the government's spending; concentrating investment in a few areas is more likely to deliver significant change, rather than thinly spreading investment and reform.

One area for co-location is the Cabinet Office's 'test and learn' public service reform agenda. In 2024, the government launched a £100m Public Sector Reform and Innovation Fund. Subsequently, it has been announced that the fund is operating in several pilot locations, including Manchester, Sheffield, Essex, and Liverpool.¹⁷ The government should consider targeting its pilots in these places towards mission critical neighbourhoods.

Similarly, the government should consider alignment with its emerging neighbourhood health agenda and any associated pilots or place-based interventions. For example, in August 2024 the government announced six locations for a new neighbourhood mental health approach.¹⁸ The government should consider whether any future similar pilots can be located in mission critical neighbourhoods.

Finally, the government has committed to the creation of Young Futures Hubs, described by the Home Office in September 2024 as "...offering young people a safe place to go where they can be diverted into positive activities and access the services they need".¹⁹ Any pilot schemes as part of this initiative could also be located in mission critical neighbourhoods.

¹⁵ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

¹⁶ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

¹⁷ Cabinet Office, Pat McFadden vows to make the state "more like a start up" as he deploys reform teams across country, December 2024. Available at: <https://www.gov.uk/government/news/pat-mcfadden-vows-to-make-the-state-more-like-a-start-up-as-he-deploys-reform-teams-across-country>

¹⁸ South London and Maudsley NHS Foundation Trust, South London and Maudsley awarded funding for a pilot 24/7 community mental health service in Lewisham, 2024. Available at: <https://slam.nhs.uk/pressreleases/south-london-and-maudsley-awarded-funding-for-a-pilot-247-community-mental-health-service-in-lewisham>

¹⁹ Home Office, Government to launch new coalition to tackle knife crime, September 2024. Available at: <https://www.gov.uk/government/news/government-to-launch-new-coalition-to-tackle-knife-crime>

Questions for consultation:

- Do you agree that neighbourhood interventions should focus on England's mission critical neighbourhoods?
- How should we prioritise areas within the 613 mission critical neighbourhoods?
- How should we ensure an appropriate distribution around the country, given a small number of towns have a very large number of mission critical neighbourhoods (e.g. Blackpool)?
- Do you agree that ICON's Hyper Local Need Measure should be used to identify areas for inclusion in a new neighbourhood intervention?
- What limitations might exist in using ICON's Hyper Local Need Measure?
- Do you agree with our analysis that competitive bidding should not be used to determine inclusion of areas in a new neighbourhood intervention?
- How should regional and local policy makers, and local private and third sector organisations, be consulted on any new neighbourhood intervention in their locality?

Delivery

There are tried and tested approaches to delivering neighbourhood interventions. As described by Frontier Economics in their international analysis of neighbourhood

interventions, despite the different contexts and aims, neighbourhood interventions tend to follow a similar approach, described in Table 3.

Table 3 – Approaches to neighbourhood interventions

Stage	Description
Establish 'anchor institution'	Establishing a decision making and delivery body (an 'anchor institution') in each of the target neighbourhoods. These bodies are typically comprised of local residents, local organisations, politicians, civil servants and businesses.
Anchor institution creates a plan	The anchor institution was then tasked with putting together a plan, which they would then coordinate the delivery of.
Involve local residents in creation of plan and programme delivered	The involvement of local residents in deciding priorities was central to the majority of the programmes, with spending decisions often devolved to the anchor institution in the target neighbourhoods.
Evaluation and evidence-gathering	Working with independent (and where possible local) evaluators to carry out appropriate capture of outcomes at a neighbourhood level

Source: Frontier Economics & ICON

Although clear on paper, in practice, this step-by-step approach to neighbourhood interventions has a number of limitations. For example, many mission critical neighbourhoods are likely to lack viable vehicles for an 'anchor institution' or effective community organisers to be able to establish such a vehicle. The development of plans and strategies for local areas can also be highly complicated and depend on the nature of the area, the capacities within it and the funding that is provided for interventions.

Governance and accountability

Who should be the local anchor institution? For example, in the NDC, authority for the local NDC partnership – the main delivery vehicle locally for the NDC – was held by a board which was made up of a mix of local residents, alongside representatives from public service agencies, such as the local authority, police and Primary Care Trusts. The aim was to be resident-led; as of 2008, residents formed the majority of 26 out of 37 boards, and in another five cases represented half of board membership.²⁰ Public service representatives were appointed to NDC boards by the relevant agency, while elections were often used to appoint residents to the boards, with nearly all partnerships using elections at one point for resident appointments. There was a large degree of variation with respect to the frequency of elections and turnout in elections.

This was described as coming at a significant cost, in terms of time and financial resources. As a result, Frontier argue that "Where possible, leveraging existing organisations or assets rather than building new anchor institutions from scratch can speed up the process of delivery and avoid delays associated with building new anchor institutions."²¹ However, we note that in all neighbourhoods, this is unlikely to be possible and as a result the creation of new anchor institutions may be required.

Another key element of the NDC was that the local partnerships enjoyed a significant degree of autonomy. The NDC partnerships operated at arm's length from the parent local authority; this was driven by the desire for local communities to have a greater say over what the partnership did and to strengthen the degree of engagement from other public sector agencies. While central government and the Government Offices for the Regions established a broad implementation framework, partnerships enjoyed a level of autonomy to develop and execute plans that were tailored to local need.

England's governance arrangements look different today and as a result we cannot simply copy from the past. The major change has been the abolition of the Government Offices for the Regions in 2011 and the gradual but now rather rapid creation of strategic authorities; the new parlance for combined authorities and other strategic bodies such as the Greater London Authority, as described in the Labour government's Devolution White Paper of December 2024.

²⁰ Foden and Pearson, (2009) quoted in Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

²¹ Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

Learning from the NDC – local governance arrangements

The New Deal for Communities (NDC) was an intervention carried out between 1998–2010 in England. The programme targeted 39 neighbourhoods across six outcomes (crime, community, housing and the physical environment, education, health, and worklessness). The NDC was more long-term than previous ABIs, designed to run for at least ten years, with the hope that a long-term commitment might make more difference, given the policy failure seen in recent decades.

Local authorities were invited to bid for NDC funding, they were then selected based on deprivation indices. Local authorities were then given the autonomy to decide which neighbourhoods within their authority were targeted. Evaluations suggest that this decision meant the areas chosen were not always the most deprived, and other strategic priorities influenced the decision-making process.

The NDC programme was delivered via 'locally-based partnerships', which operated autonomously from the local authority. The partnerships were overseen by a 'board' formed of local residents and local authority representatives. In most cases, local areas held elections to appoint local residents to the boards.

The NDC had its own funds, but a significant part of the programme sought to influence existing, 'mainstream', public services in a locality. This was driven by two insights. First, though the funds allocated to the NDC were significant, being able to leverage the multitude of other government spending occurring locally would lead the NDC spend a much higher 'multiplier' effect. Second, an interest in a 'joined up government' in public policy circles at the time; driven by the recognition that government too often worked in isolation when trying to solve problems which are all inevitably intimately connected.

A final evaluation of the NDC programme found that areas with a higher representation of resident board members, tended to achieve more positive outcomes.

Source: Frontier Economics (2025) The evidence for neighbourhood-focused regeneration: a report for the Independent Commission on Neighbourhoods. [online] London: Frontier Economics. Available at: https://www.neighbourhoodscommission.org.uk/wp-content/uploads/2025/03/FE_ICON_Report.pdf [Accessed 29 Apr. 2025].

Given this, it's vital to consider the role that strategic authorities might play in the design and administration of any new neighbourhood intervention. The good news is that many strategic authorities are already 'thinking neighbourhoods'. For example, the Greater Manchester Combined Authority has put neighbourhood working at the heart of its approach to public service reform for some time now.²² Its approach to public service delivery has centred on organising around neighbourhoods, rather than around themes or policy areas, as is often the case.²³

Timescales

The need for a more long-term approach to governing is regularly called for in public policy debates. As the Labour Party's manifesto noted, "For too long, Britain has been held back by

governments that, because they lack a relentless focus on long-term ends, are buffeted about by events".²⁴ The government's five missions reflect this interest in trying to shift our governing philosophy to a much more inherently long-term affair.

This is partly driven by the time that it takes anchor institutions to be set up and become fully operational and effective, which can be up to three years.²⁵

As a result, long-term funding timelines, of at least 10 to 15 years, are required. Clearly, achieving this in a short-term political and policy environment is a critical challenge, and we consider later in this report what might be done to overcome it.

At this stage we note that a government committed to a 'decade of national renewal' should do all it can to ensure that any neighbourhood interventions are funded for at least 10 years.

22 GMCA, The Greater Manchester Model: Further, Faster. Available at: <https://www.greatermanchester-ca.gov.uk/media/1676/greater-manchester-model.pdf>

23 GMCA, The Greater Manchester Model: Further, Faster. Available at: <https://www.greatermanchester-ca.gov.uk/media/1676/greater-manchester-model.pdf>

24 Labour Party General Election Manifesto, 2024

25 Frontier Economics, The evidence for neighbourhood-focused regeneration, February 2025

Learning from Big Local – Long Term Funding

The Big Local funding programme differed from others by providing long term funding to resident-led initiatives. Grant guidelines were non-prescriptive, enabling residents to set their own timelines and priorities.

The programme targeted areas that had historically been overlooked for funding by charities or public bodies. This often meant the areas chosen for funding did not have existing capacity to deliver programme outputs. Community development work was crucial at the outset of funding projects, to establish the resident-led partnerships and capacity needed to steer programme delivery.

Learning from the Big Local formula, found the long-term funding model to be a valuable tool for establishing transformational change:

- 'Enabled residents to build collective confidence and capacity
- Enabled areas to spend at a pace that makes sense to them, rather than being compelled to develop large projects before they have the necessary confidence and capacity
- Was key to building strong relationships within and external to the community
- Encouraged areas to take a long-term view; enabling them to try things, to learn and to correct course
- Built trust and credibility within the wider community – Big Local found that there is a scepticism surrounding short term interventions'

The ability for Big Local areas to set their own timelines, prioritising capacity building to ensure delivery is resident-led is often viewed as one of Big Local's biggest successes and provides a radically different funding model to other placed based initiatives.

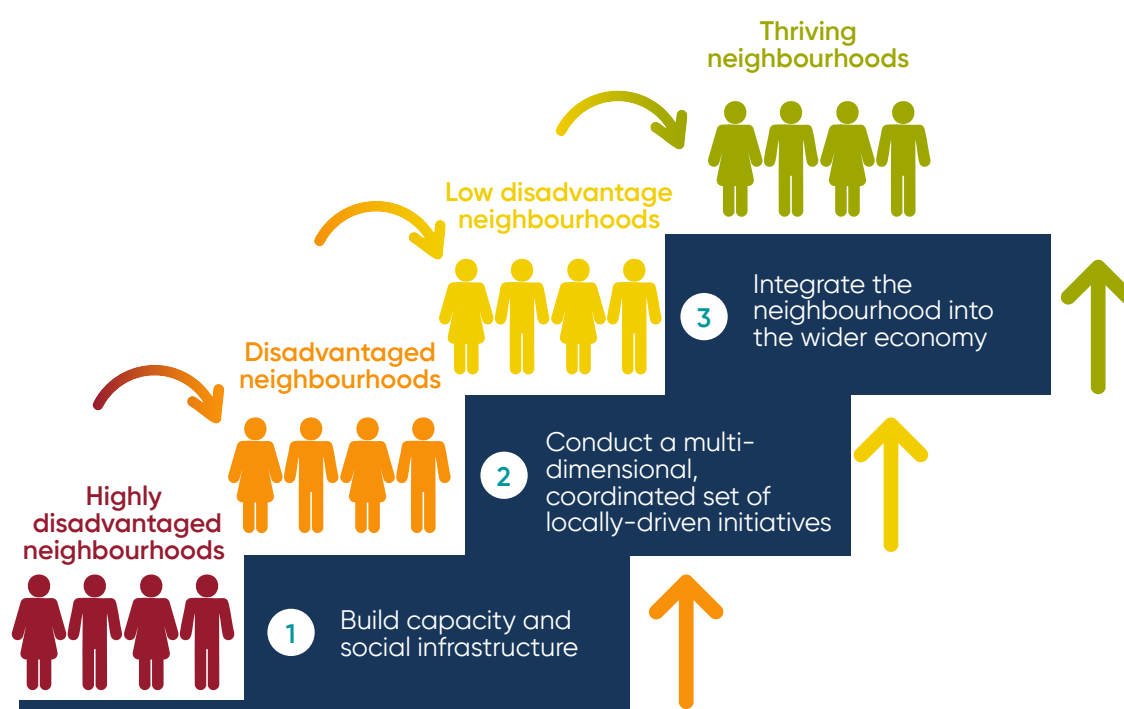
Local Trust (2024) The Big Local story: summary. [online] London: Local Trust. Available at: <https://localtrust.org.uk/wp-content/uploads/2024/02/9951-The-Big-Local-story-Summary.pdf> [Accessed 29 Apr. 2025].

Activities

Having considered various questions of 'who?', 'why?', 'where?' and 'when?', we must also consider the 'what' of neighbourhood interventions. What activities should funds be targeted at? Which activities are likely to make the most significant difference to disadvantaged neighbourhoods? And how should such activities be determined, for example nationally or locally?

Determining what type of activities are most suitable for a particular neighbourhood depends on what stage of development the relevant neighbourhood is at. Frontier Economics describe a three-stage trajectory of neighbourhood renewal, illustrated in Figure 4.

Figure 4 – Stages of neighbourhood renewal



Source: Frontier Economics

Stage 1 – building capacity and social infrastructure – is vital because fundamental to the success of neighbourhood interventions is an appropriate degree of civic capacity in the neighbourhood's social fabric. This is likely to involve: the creation of anchor institutions, building networks, upskilling residents. This can be thought of as the bedrock of neighbourhood regeneration; without this, known models of neighbourhood regeneration are unlikely to function appropriately. We know from past experience that skipping this stage reduces the impact of an intervention in the long-term.

We have already argued for a new neighbourhood intervention to be focused on mission critical neighbourhoods. As

these are some of the most disadvantaged places in England, it follows that a new neighbourhood intervention should prioritise in the first instance building capacity and social infrastructure.

We propose that the neighbourhood intervention should be designed as a holistic regeneration programme to support the development of social infrastructure and sustain it within mission-critical neighbourhoods. This social infrastructure will then increase the social capital within these places providing the foundations for them to engage with mission priorities such as increasing growth, reducing crime and improving health.

This could be achieved through developing a universal 'baseline' of community building within mission critical neighbourhoods. For example, this offer could include:

- Funding for community organisers for five years;
- Funding to support the purchase or rent of a community space or activity for activity to take place in;
- Discretionary funding for the community to use to build social capital and connection between residents;
- Funding for communication of activities taking place within an area.

Alternatively, it could develop along the lines of the Big Local programme (or the

NDC at times) which focused more on institution building at a neighbourhood level, with funding provided to support existing (or new) community organisations within neighbourhoods to mobilise residents within a place. The benefit of this approach would be to try and create a permanent legacy rather than relying on individual community organisation. However, it would be more expensive and take longer to develop than supporting an individual organiser.

In either case, whether a 'community organiser' model or an 'institutional model', the programme would be a holistic regeneration programme that is outcomes-based but allowing for flexibility and determination of activity by local residents.

Questions for consultation

- Do you agree this approach should be taken to the delivery of a new neighbourhood intervention?
- Are there any limitations or risks arising from this approach?
- Should existing institutions, such as local authorities or strategic authorities (where they exist), be the home for a new ABI, or should new institutions be established?
- What are the pros and cons of public vs third sector anchor institutions?
- What are the pros and cons of establishing a new institution vs using existing institutions?
- How could a power sharing agreement between councils and communities look?
- How long is needed for genuinely long-term interventions? Ten years? Fifteen years? Longer?
- What steps can be taken to insulate any ABI from financial, political or other pressures?
- Should a community organiser or institutional model be taken through the delivery of the intervention?
- Do you agree that the intervention should be focused on social infrastructure and building social capital within neighbourhoods?
- How can this be linked into broader efforts to improve housing, infrastructure and economic outcomes within places?

Chapter 2 – Rewiring central government to ‘think neighbourhoods’

In the previous chapter we made the case for a new national neighbourhood intervention, focused on mission critical neighbourhoods. However, we should not see policy purely through the lens of specific funded neighbourhood-based programmes, although they have a critical role to play. We must also consider how to encourage all parts of government to think neighbourhoods through the way that we fund and deliver existing public services which can have a significant impact on the outcomes.

The last ‘golden period’ of neighbourhood policy in the 1990s and 2000s was as much about embedding neighbourhood thinking across government policy, through vehicles such as the Neighbourhood Renewal Unit, and embedding neighbourhood level analysis into funding distribution as it was specific neighbourhood programmes.

While our recommendations focus on central government, given the national nature of the Commission’s remit, these proposals will of course require genuine partnership and co-operation throughout with local government, from elected parish councillors where they exist, through local authorities and the new strategic authorities (e.g. Combined Authorities, the Greater London Authority).

Policy making process

2. Neighbourhood Test

Influencing the policy making process – how policies are developed, designed and implemented by central government – is essential for getting government to ‘think neighbourhoods’. Introducing ‘policy tests’ can influence this process: assessing whether a proposed policy or intervention meets a set

of criteria. Several ‘policy tests’ currently exist in central government today, including the Family Test, the Public Sector Equality Duty, and regulatory impact assessments.²⁶

We think that every policy or funding proposal should have to answer a simple question: will this work in our mission critical neighbourhoods? A Neighbourhood Test could be implemented to deliver this ambition. This could be modelled on the existing Family Test. Introduced in England in 2014, this requires policy makers to consider five questions, assessing the potential impact of policy on family life and relationships. It is not a statutory requirement, though attempts have been made by MPs to make it one.²⁷ Research conducted by the Centre for Social Justice has found that the Family Test has been used to evaluate the impact of policy in Whitehall departments.

The same report recognised that more needs to be done to encourage wider take-up of the Family Test in government, and the CSJ argues that more needs to be done to promote its use, including considering whether it should be put on a statutory footing.²⁸ In Table 4 below we set out how a potential Neighbourhoods Test might operate in practice, inspired by the Family Test

²⁶ Institute for Government, Passing the net zero test, May 2022. Available at: <https://www.instituteforgovernment.org.uk/sites/default/files/publications/passing-net-zero-test.pdf>

²⁷ Ibid.

²⁸ The Centre for Social Justice, A Review of the Family Test, 2019.

Table 4 – Draft Neighbourhood Test questions for policy makers

Potential questions	Rationale
What kinds of impact might the policy have on disadvantaged neighbourhoods?	Too often policy is made without considering its impact on disadvantaged neighbourhoods. This is partly due to a lack of granular data and evidence on how neighbourhoods will be affected (see Evidence and Data theme below for steps to remedy this), but it is also driven by a lack of consideration in the policy making process.
What kind of impact will the policy have on social infrastructure and social capital in neighbourhoods?	Social infrastructure is essential for building and maintaining social capital. Social capital is essential for improving disadvantaged neighbourhoods – it is important for connecting isolated communities to local labour markets which might provide better employment prospects, for example.
How will the policy affect the gap between rich and poor neighbourhoods?	If the government's missions are to be delivered, progress must be made in the 613 'mission critical neighbourhoods' identified by ICON's interim report. Improving outcomes in these places would help to close the gap between rich and poor neighbourhoods.

Hypothetical example – Neighbourhood Test in practice

A proposal has been made to decrease spending on bus services. Ministers have asked officials to consider the impact of this intervention on neighbourhoods, through the recently instated Neighbourhood Test.

What kind of impact will the intervention have on disadvantaged neighbourhoods? Given those living in disadvantaged neighbourhoods are more likely to be reliant on bus-services, we might expect this policy to have a negative impact on them.

What kind of impact will the intervention have on social capital and social infrastructure in deprived neighbourhoods? Transport can be important in helping to build bridging capital, connecting different communities in an area with one another.

How will the policy affect the gap between rich and poor neighbourhoods? Given bus services can play an important role connecting isolated communities into city-centre economies, the gap between rich and poor neighbourhoods may be expected to widen.

A Neighbourhood Test would need to avoid becoming a 'tick box' exercise, however, it would provide a universal moment across all policies to think neighbourhoods before final decisions have been made. Ideally, this test would be carried out in the pre-consultation phase of policy development, with consultations having to demonstrate that they have considered the hyper-local impact of policies at a neighbourhood-level and how it can be implemented at a neighbourhood level. It would also be relatively low cost and should be integrated into existing impact assessments rather than as a standalone test

that is separated from the rest of the policy making process. Ideally, all Neighbourhood Tests should be made public to enable other parts of the public sector to understand the potential impact (positive or negative) on neighbourhoods and factor this assessment into their work.

Questions for consultation

- Do you agree with the idea of a Neighbourhood Test?
- When should it be carried out in the policy development process?
- How do we avoid the Test becoming a 'tick box' exercise?

3. Mission Delivery Prioritisation Framework

Every neighbourhood will require support to deliver the missions, however, different areas will require different types of policy interventions. Given the scale of the challenges as well as multiple interlocking policy problems in the mission critical neighbourhoods, these places will require comprehensive packages of support to invest in the social infrastructure and public service capabilities to improve outcomes. Policy makers will need to work with local people to build and strengthen the neighbourhood assets on the ground. By contrast, mission support neighbourhoods will still require enabling policy interventions focused at identifying and providing wrap-around support for people and households at a neighbourhood level – but are working from a stronger starting point.

A Mission Delivery Prioritisation Framework could help policy makers to understand what neighbourhoods need and begin work on developing typologies for policy development

for different types of neighbourhoods.

We must not repeat the mistakes of the past, we should learn the lessons and put in place a clear framework for identifying and prioritising places that need support for mission delivery. Inspired by this, the government could publish a Mission Delivery Prioritisation Framework (MDPF).

This would rank all neighbourhoods across the area according to the scale of the challenge they face in delivering the government's missions. This would provide a transparent process for allocating resources and developing targeted investment programmes for neighbourhoods. It would also provide a tool for combined authorities, local authorities and other public agencies to coordinate resources at a hyper-local level where it can have most impact. The government should take a phased approach to mission delivery at a neighbourhood level, ensuring that resources are concentrated at a sufficient scale within neighbourhoods as well as giving time for interventions to bed in and develop the necessary social infrastructure to make places "mission ready".

Questions for consultation

- Do you agree with the idea of a Mission Delivery Prioritisation Framework?
- What data should be used to develop the Framework?
- How regularly should it be updated?

4. Civil service neighbourhood 'tours of service'

In our policy workshops, one proposal put forward to improve the ability of government to "think neighbourhoods" is to get more civil servants to spend time in the most mission critical neighbourhoods.

One of the challenges for the development of policy is that civil servants may not understand the complexities or challenges facing mission critical neighbourhoods (or other disadvantaged communities) because of a lack of exposure to the unique conditions and circumstances in these places. Former civil servants at our workshop outlined how it used to be more common for civil servants to be sent out to places to gather intelligence about the implementation of government policy and to report back to Ministers and other officials about what they have found. However, reductions in the number of civil servants in the post-financial crisis period saw this outreach diminish – although in recent years the number of civil servants working on policy has significantly increased.

One of the proposals put to the Commission was that civil servants from government departments should be asked to undertake "tours of service" into the most disadvantaged communities on a regular basis and provide reports of their findings to their colleagues to improve learning and understanding. This could learn from the "tours of duty" proposed by Pat McFadden for digital and technology experts to join the government for six to twelve months to work on national missions.²⁹

These tours of service would need to be appraised as part of the annual review of civil servants and those civil servants that had not undertaken sufficient engagement into communities would need to provide justification for the lack of activity.

Community organisers and leaders at our workshop welcomed the idea but wanted to make sure that such visits were properly organised and structured so that they added value not only to the civil servants but also to local people receiving them. This could be done through a 'Neighbourhood Engagement Team' housed in MHCLG to coordinate activities across departments and ensure that the scale of visits was manageable.

The team could also work with local authorities and combined authorities alongside other public agencies to bring together various parts of the state to learn collectively and develop shared understanding of the challenges facing mission critical neighbourhoods.

Questions for consultation

- Do you agree with the idea of Tours of Service in disadvantaged neighbourhoods for civil servants?
- How often should tours be made?
- How should they be organised to make sure that they are useful to both neighbourhoods and civil servants?
- What opportunities are there for collaboration with local authorities and combined authorities?

²⁹ Cabinet Office, Pat McFadden vows to make the state "more like a start up" as he deploys reform teams across country, December 2024. Available at: <https://www.gov.uk/government/news/pat-mcfadden-vows-to-make-the-state-more-like-a-start-up-as-he-deploys-reform-teams-across-country>

5. Neighbourhood Analysis Excellence Centre (NAEC)

Throughout our work at ICON, we have found it challenging to access evidence about the impact of government policies and initiatives at a neighbourhood level.

ICON has sought to commission analysis from institutions such as Frontier Economics, Public First, academics and other agencies to gather a better understanding of the state of our neighbourhoods, the challenges they face and the potential solutions. We have also undertaken analysis of publicly available data or developed models based on publicly available data. However, it is clear in our engagement with government stakeholders that many departments lack an accurate understanding of the challenges facing neighbourhoods and the efficacy of their interventions or whether resources are reaching the frontline. We have found a warm reception to the limited data and analysis that we have been able to provide to stakeholders so far, but ICON is time-limited and neighbourhood level analysis needs to be undertaken regularly and systematically.

We believe that there is a strong case for a permanent 'Neighbourhood Analysis Excellence Centre' (NAEC) to be able to gather information at hyper-local level on a regular basis. This would be modelled on the "What Works Centres" and give government a regular source of expertise insight and support.

Given its value across every part of the country, it seems sensible to house this within central government where information can be disseminated across every department and every level of government as well as other public agencies.

Its remit could include:

- To promote and expand the use of hyper-local analysis in government at a working level in Whitehall.
- To create and provide the analytical infrastructure needed to support the expansion of hyper-local analysis in government, e.g. mining existing data sets.
- To make business cases for greater investment in hyper-local analytical infrastructure, e.g. the creation of new data sets.
- To build support across Whitehall among senior leaders for hyper-local analysis.
- To provide training and professional development.
- To provide ad hoc support and a troubleshooting function for analysts working on hyper-local analysis.

NAEC could be housed in Cabinet Office and would bring together multidisciplinary teams to share learning and expertise across government, similar to the Social Exclusion Unit. Ministers, local authorities, combined authorities or other agencies could 'commission' NAEC to look at particular policy challenges. NAEC could work with external agencies such as the Behavioural Insights Team, NESTA or other appropriate institutions to bring a wide range of expertise to the challenges facing neighbourhoods.

It should also build on academic work being undertaken by organisations such as the Centre for Community Connectedness and the legacy of work undertaken by Local Trust to evaluate the Big Local Programme. The Centre should provide a bridge between government and civil society analysis of neighbourhoods.

Questions for consultation

- Do you agree with the idea of a Neighbourhood Analysis Excellent Centre?
- What should be the mandate of such a centre?
- Where should it be based?
- How should it collaborate with external agencies?

Financial flows and accounting

6. Social infrastructure definition and need assessment

Social infrastructure has a critical and often underappreciated role. The Bennett Institute define social infrastructure as the “physical and community facilities which bring people together to build meaningful relationships.”³⁰ However, this widely accepted definition amongst practitioners is not embedded in government policy making.

For example, HM Treasury’s 10 year infrastructure strategy working paper included social infrastructure, a welcome step in the right direction.³¹ However, this social infrastructure was narrowly defined, primarily around public services, which although important are not the only form of social infrastructure that places require. A broader, shared, definition of social infrastructure is important to inform future policy decisions and spending allocations.

Public sector net investment over the Parliament is due to be over £400bn, social infrastructure needs to be given a fair slice of any allocated investment expenditure. This is due to the government’s fiscal rules allow for greater flexibility for capital investment, but without a clear definition of social infrastructure it is unlikely that social infrastructure will see any significant increase in investment.

A shared definition within government could also extend to independent institutions advising on infrastructure and increasingly shape policy, such as the National Infrastructure Commission (NIC). Currently, NIC’s remit only extends to economic infrastructure.³² Given the importance of social infrastructure, institutions such as NIC and National Infrastructure and Service Transformation Authority (NISTA) could have to consider our social infrastructure needs and develop strategies for investment.

Alternatively, given the complexity of social infrastructure and the difference between social infrastructure and economic infrastructure such as transport networks and utilities, the government could create a dedicated body for advice on social infrastructure. Like the National Infrastructure Commission, the Social Infrastructure Commission could carry out a needs assessment of social infrastructure for the most disadvantaged neighbourhoods, advise on the state of social infrastructure in these places and outline plans to rebuild and maintain social infrastructure.

Over time, a shared and consistent definition could enable central government to ring-fence a proportion of infrastructure expenditure at social infrastructure and rebalance investment at a local level.

Questions for consultation

- Do you agree with the idea of a shared definition of social infrastructure?
- What should be included in that definition?
- Should bodies such as the National Infrastructure Commission and National Infrastructure and Service Transformation Authority be asked to consider social infrastructure as part of their remit?
- Should the government have a dedicated body to consider social infrastructure given its unique characteristics?

30 Kenny, M & Kelsey, T, Townscapes: The Value of Social Infrastructure, Bennett Institute for Public Policy, 2021

31 HM Treasury, 10 Year Infrastructure Strategy Working Paper, January 2025. Available at: https://assets.publishing.service.gov.uk/media/6793c62bc74f1dca7492f3a5/10_Year_Infrastructure_Strategy_Working_Paper_PUBLICATION_24_JAN.pdf

32 <https://nic.org.uk/about/what-we-do/#:~:text=The%20Commission%20advises%20government%20on,risk%20management%20and%20digital%20communications>.

Administrative and structural changes

7. Neighbourhood Recovery Unit & Neighbourhood Recovery Strategy

In mission-critical neighbourhoods, the state will already be spending millions of pounds on public services and investment programmes. This should be better leveraged to improve outcomes in these places. As a result, there is a need for much greater coordination of policy, strategy and funding at a national

level. We consider how to achieve better local coordination later in this paper.

Cross-government working is a perennial challenge in Whitehall but given the cross-cutting nature of the issues facing mission-critical neighbourhoods, this challenge appears particularly acute. Neighbourhood policy is formally held in MHCLG, but there are at least eight other departments highly related to mission-critical neighbourhoods, as detailed in Table 5.

Table 5 – Government departments relevant to mission-critical neighbourhoods

Department	Connection to mission-critical neighbourhoods
Ministry of Housing, Communities and Local Government	Communities/neighbourhoods policy Local government Housing Democracy Social cohesion
HM Treasury	Public spending oversight in rest of government Sustainable economic growth Taxation policy relevant to neighbourhoods, e.g. business rates
Cabinet Office	Public sector reform Cross-government coordination Political and constitutional reform Promoting the release of government data
Home Office	Reducing and preventing crime, and ensuring people feel safe in their homes and communities Shaping the alcohol strategy, policy and licensing conditions
Ministry of Justice	Probation services Courts
Department for Transport	Public spending oversight in rest of government
Department of Health and Social Care	Primary care Adult social care
Department of Work and Pensions	Welfare spending, likely to be higher in mission-critical neighbourhoods Employment support and back-to-work programmes
Department for Culture, Media and Sport	Sports clubs and museums are vital social infrastructure, particularly important in mission-critical neighbourhoods Civil society policy

Given this, there is a need to coordinate policy and strategy relating to neighbourhoods.

This suggests two steps:

First, the creation of a Neighbourhood Recovery Unit. This could be based in the Ministry of Housing, Communities and Local Government, using the power of the Deputy Prime Minister. Finally, it could be based on Cabinet Office, given the co-ordination role fulfilled by this department, potentially as a subdivision of the Mission Delivery Unit. Modelled on the Neighbourhood Renewal Unit,

this could become a 'one-stop-policy-shop' for neighbourhoods in central government.

Second, a coordinated national strategy for neighbourhood recovery. The last major neighbourhood policy initiative occurred under the 1997–2010 Labour government, with the development of the National Strategy for Neighbourhood Renewal. Today, a Neighbourhood Recovery White Paper would seek to emulate the success of the National Strategy for Neighbourhood Renewal, adapted to our present challenges.

Table 6 – Description of Neighbourhood Recovery Strategy

Dimension	Description
Problem Statement	A clear description of the problem that is being addressed.
Diagnosis	A clear explanation for the problems described in the problem statement, identifying root causes.
Objectives to tackle the problem	A clear set of objectives to address the root causes identified in the diagnosis.
Policies and programmes	A broad set of policy interventions and initiatives to tackle the root causes.

The last major neighbourhood policy initiative occurred under the 1997–2010 Labour government, with the development of the National Strategy for Neighbourhood Renewal. This programme began in 1998 with a Social Exclusion Unit report taking stock of what the government had already done to tackle the problems of poor neighbourhoods, both through national programmes and new area programmes such as the New Deal for Communities.

The report kicked off a programme of strategic development and collaborative policy making through 18 Policy Action Teams focused on issues affecting deprived neighbourhoods such as anti-social behaviour, unpopular housing, lack of opportunities for young people, and poor access to shops. Two years later, when all these teams had reported, the final National

Strategy emerged, supported by new funding allocated in the 2000 spending review.^{33 34}

There is a wealth of evaluation evidence and research on the National Strategy and its impact. Critically, during New Labour's time inequalities on several targeted outcomes narrowed somewhat between poorer and richer areas.³⁵ The 2000s also highlights narrowing gaps between deprived and less deprived areas – for example in relation to teenage pregnancy,³⁶ and health inequalities.³⁷ A national strategy can, therefore, have a positive effect if delivered effectively.

Both a unit and a strategy are mutually supportive. A strategy without a unit will be very challenging to implement as it will lack the deep institutional relationships to coordinate all parts of government and ensure implementation. A unit without a strategy

³³ Cabinet Office, A New Commitment to Neighbourhood Renewal, 2001

³⁴ HM Treasury, Prudent for a Purpose: Building Opportunity and Security for All, 2000

³⁵ 3 AMION Consulting, Evaluation of the National Strategy for Neighbourhood Renewal : Final Report. (DCLG, 2010); Lupton, R et al, Labour's Record on Neighbourhood Renewal in England: Policy, Spending and Outcomes 1997–2010: Social Policy in a Cold Climate Working Paper 6 (Centre for Analysis of Social Exclusion (CASE), 2013

³⁶ Wallace, M., Trends in Adolescent Disadvantage: Policy and Outcomes for Young People under Labour, the Coalition, and the Conservatives (1997 to 2019). SPDO Research Paper 15. London: London School of Economics and Political Science, August 2023

³⁷ 6 Barr, B et al, 'Investigating the Impact of the English Health Inequalities Strategy: Time Trend Analysis', BMJ (Online), 358.July (2017), 1–8

will lack a clear direction of travel and a shared understanding of the challenges facing neighbourhoods across government.

At the time of writing, we understand that MHCLG is planning to develop a

“Communities Strategy” as outlined in its Plan for Neighbourhoods. We welcome the development of such a strategy; however, our stakeholders have outlined the need to build an appropriate institutional architecture around it.

Questions for consultation

- Do you agree with the idea of a new Neighbourhood Recovery Unit to coordinate government policy?
- Where should it be based and what should its remit be?
- Should the Unit create and lead a new Neighbourhood Recovery Strategy?
- What can we learn from the past to make this strategy effective?
- How do we ensure that neighbourhoods are able to shape this strategy and ensure the Unit remains grounded in the experience of those within disadvantaged neighbourhoods?

8. Commissioner for Neighbourhoods

Commissioners, where used effectively, can be a good focal point for citizens and neighbourhoods to raise concerns. They also provide a public challenge to government, drawing attention to problems that have been ignored for a long period of time.

A Commissioner for Neighbourhoods therefore may be of value. Inspired by We’re Right Here’s previous proposals for a Community Power Commissioner,³⁸ this could:

- Conduct ad hoc reviews of the degree to which any government policy, practice or body is consistent with the interests of disadvantaged neighbourhoods.
- Require government departments and public bodies to provide any information which their office might require to conduct full and thorough reviews of this kind.
- Make recommendations to government departments and public bodies as to how they might more fully represent the interests of disadvantaged neighbourhoods.

The Commissioner could be based on the Commissioner for the Compact, who oversaw New Labour’s Compact with the voluntary sector during the 2000s, or the Small Business Commissioner which has helped to raise the profile of late payments to small businesses. The Commissioner would be able to oversee the work of various policies to improve outcomes at a neighbourhood level and the voice of neighbourhoods in the policy making process, ideally alongside the introduction of new powers for neighbourhoods to shape the policy process.

The Commissioner would be a public appointment, and their appointment would be overseen by the relevant Parliamentary select committees. They would also have the right to publish and speak publicly on any issues related to the challenges facing disadvantaged neighbourhoods. The Commissioner would also need to conduct regular engagement with neighbourhoods through in person or virtual ‘town halls’ with the most disadvantaged places.

³⁸ Andrew O’Brien, Taking Back Control, Demos, 2024. Available at: https://demos.co.uk/wp-content/uploads/2024/06/Taking-Back-Control_Paper_final.pdf

Questions for consultation

- Do you agree with the idea of a new Commissioner for Neighbourhoods?
- Where should it be based and what should its remit be?
- How should the Commissioner be appointed?
- How should the Commissioner interact with other parts of government (e.g. a potential Neighbourhoods Recovery Unit or Excellence Centre)?

9. Neighbourhood Recovery Zones

Too many 'mission critical neighbourhoods' have been let down by the market and state. There is a need to consider extraordinary steps to aid those places that appear to be in long-term decline; those places that are persistently at the bottom of deprivation measures, for example.

On our visits we have heard, too often, tales of neighbourhoods neglected by the state, by the NHS, by the police and other public agencies; and whatever private sector businesses were anchored in the area have been replaced by footloose and low-quality employers, such as warehousing and logistics. Too often it seems that no-one truly cares about these places.

In such places, we believe there may be an argument for central government to work with local government to create a package of interventions, underpinned with increased investment, in collaboration with the relevant Local Authority. Modelled partly on Development Corporations, Neighbourhood Recovery Zones would grant extraordinary powers to a Neighbourhood Recovery Board, appointed by the Deputy Prime Minister. This Board would be chaired by an independent chair appointed by the Secretary of State in consultation with the local authority and including democratically elected representatives alongside other stakeholders. The Secretary of State would be accountable to Parliament for their operations at a national level, with local authorities accountable for their actions at a local level.

This Board would regularly convene a Residents Assembly. This Assembly would

be randomly selected, like jury service, and chosen to be broadly representative of the local community. The Residents Assembly would be required to vote and/or agree on changes; where such changes cannot be made, this reflects the fact that a community is divided and, as a result, the scale of change is necessarily limited. However, we are confident in many mission-critical neighbourhoods there is significant consensus on the need for significant change, but that local people simply do not have the agency to deliver that. This model responds to that. It would also ensure that we qualitatively change the experience of people with government, improving trust and building long term partnerships for renewal.

The Board would be tasked with producing a Neighbourhood Recovery Plan in consultation with the local authority, strategic authority and other relevant public sector actors (e.g. Integrated Care Boards). The Boards would be accountable for the delivery of the plan and have to report back regularly to the local authority and Secretary of State on delivery. This Plan would be developed in partnership with the community. The priorities will be different from place to place; that was the learning of the New Deal for Communities, where – within broad constraints – there was a large degree of variation as to what the main activities and priorities should be.

Crucially, by embedding the Zones within central government, the Secretary of State can use the full power of the central state to mandate required changes. For example:

- Opting out of planning rules that may limit the ability to quickly transform a neighbourhood. For example, giving

fast-track CPO powers to the Board, for example, where fragmented land use is an issue.

- Demanding that other public services come to the table and change policy or practice as required to improve outcomes.
- Local market shaping through enabling financial support to local businesses to support employment and social value creation at a neighbourhood-level.

Zone Boards would also be able to draw on additional investment ('Neighbourhood Deals') linked to specific programmes or outcomes, with a report annually presented to Parliament on the progress that is being made. Zone Boards would also need to engage with the local authority and combined authority and demonstrate collaboration with democratically elected institutions.

Questions for consultation

- Do you agree with the idea of Neighbourhood Recovery Zones?
- What powers and authority should the boards and chairs have?
- How long should they last?
- What should the role of local authorities and combined authorities be in the development of these zones?

Chapter 3 – Empowering local government to ‘think neighbourhoods’

In the previous chapter we considered how central government could ‘think neighbourhoods’. We now consider how this can be achieved through empowering local democracy. The good news is that pioneering local leaders have already been leading the way on many ideas discussed here, as we highlight throughout this chapter.

We recognise in our work that local government’s capacity to work at a neighbourhood level has been severely constrained by the state of local government finances. The reduction in discretionary spending power for local councils has significantly reduced the ability of local authorities to provide patient investment and capacity building within their areas. Although local government finances are not part of ICON’s work, central government must recognise that any meaningful attempt to improve outcomes at a neighbourhood level must also include strengthening the financial power of local authorities. The most recent local government spending settlement is a welcome step in the right direction,

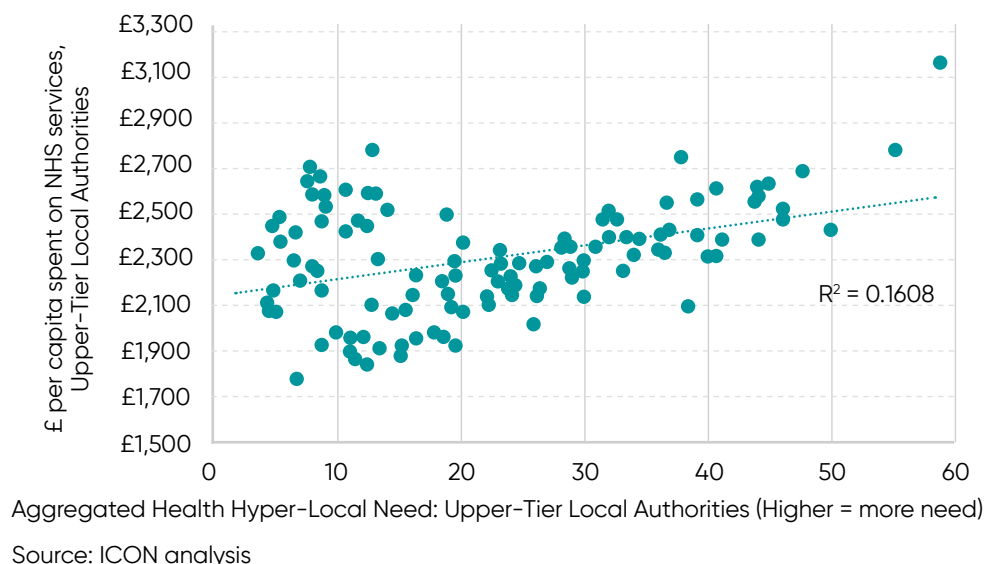
but more will need to be done to ensure that local councils have the discretionary spending power to be able to help the more disadvantaged neighbourhoods in their areas and leverage in the resources of other public, private and philanthropic actors.

10. Neighbourhood Expenditure Audits

Accessing data to enable us to understand the total level of resources being put into individual neighbourhoods is currently highly challenging. If the government is going to target resources at mission critical neighbourhoods, it needs to understand the flow of funding and resources already going into these places.

As highlighted in Figure 5 below, local authorities that have significant need in relation to health are not necessarily receiving considerably higher levels of funding per capita, on average the difference may simply be a few hundred pounds despite the considerably higher levels of complexity of demand and challenge.

Figure 5 – Spend per capita on NHS services by local authority and hyper-local needs index score on health



As part of the Mission Delivery Prioritisation Framework, the government could partner with relevant Local and/or strategic authorities to commission a Neighbourhood Expenditure Audit (NEA) for mission critical neighbourhoods to track how public services such as the NHS, schools and other public investment programmes are distributed at the hyper-local level. This will also help to identify, similar to the New Deal for Communities, how existing public expenditure can be leveraged on the ground and whether it is effectively targeted. It would also provide a framework to trial Total Place-style funding arrangements, bringing together multiple funding streams at a neighbourhood level and creating opportunities to pool resources at a neighbourhood level to improve outcomes.

This could be used to inform Neighbourhood Budgets, which we explore in more detail below.

Neighbourhood Expenditure Audits would be targeted at mission-critical neighbourhoods to begin with and undertaken by a joint HMT – MHCLG team to pool together both national and local expenditure, working in close partnership with relevant local authorities. NEAs would exclude welfare expenditure and be focused on public spending and investment into neighbourhoods. The Audits would be an initial snapshot but ideally the audits would be repeated on a standing basis, linked to fiscal moments such as Spending Reviews, to provide policy makers with an understanding of the fiscal situation in most of the disadvantaged places.

Local insights – Gateshead's 'Liberated Method'

The Liberated Method, developed by Changing Futures Northumbria in Gateshead, gives greater freedom to caseworkers as long as they follow two broad rules: 'stay legal' and 'do no harm'. It is grounded in a pioneering analysis of how much an individual's interaction with the state was costing altogether. This identified Brian, who received a minimum of £2 million worth of public services in recent years. These services were primarily health and related to the criminal justice system, across 3,000 interactions in 14 years.

Source: Smith, Mark, Hesselgreaves, Hannah, Charlton, Ron and Wilson, Rob (2025) New development: The 'liberated method'—a transcendent public service innovation in polycrisis. Public Money and Management. ISSN 0954-0962

On our visits and engagement with communities, we have regularly heard that disadvantaged neighbourhoods do not feel that the flow of funding is reaching the frontline. The Audits could help to identify whether there are challenges in resources reaching the places that need it (e.g. a lack of anchor institutions to bid for and deliver funding in these neighbourhoods)

as well as help to target investments within neighbourhoods at a more granular level.

Where possible, the results of these audits should be published to enable other public agencies, foundations and citizens to understand the flow of resources into these neighbourhoods.

Questions for consultation

- Do you agree with the idea of a Neighbourhood Expenditure Audit?
- Who should carry them out?
- What spending should be in and out of scope?
- How regularly should audits be undertaken?
- How should central and local government effectively partner to deliver the Audits?

11. Neighbourhood Agreements

The state is already spending significant sums in mission-critical neighbourhoods, but this is often being spent in an uncoordinated fashion. This means two things. First, policies, programmes or services are at risk of being duplicative or actively working against one another. This worsens the risk of policy failure, worsening life chances for those living in mission-critical neighbourhoods. Second, it wastes precious fiscal resources, meaning that the sum of spending in mission-critical neighbourhoods is too often less than the sum of its parts.

This is not a new challenge in public policy; how to integrate public spending in place has been a longstanding aspiration of policy makers and researchers. The last Labour government made a serious attempt at

remedying this long-standing challenge through its Total Place programme. In the challenging years following the financial crisis, the Labour government launched Total Place, an initiative to transform local public service delivery.³⁹ The programme was located in 13 pilot areas, aiming to reduce the siloes in public service to deliver better, lower-cost services to the public. An independent evaluation of Total Place (then renamed Community Budgets) found that they could generate up to £20bn a year in net public benefit through improved outcomes and efficiency.⁴⁰ Recently, a number of researchers and practitioners have called on the government to return to the principles of Total Place, including former Communities Secretary John Denham.⁴¹

Learning from Total Place and Whole-Place Community Budgets

As part of Total Place, Whole-Place Community Budgets were introduced as an attempt to reduce central government spending. Whole-Place Community Budgets was a pilot scheme introduced in 2011 to understand how an area-based budget comprising all funding for local public services could improve efficacy at a local level. Four areas were selected to take part in this initiative, West Cheshire, Whole Essex, Greater Manchester, and West London Tri-borough. Extensive collaboration between local and central government led to revised delivery models that tackled different area priorities. National Audit Office reporting shows that the Department for Communities and Local Government provided £4.8 million from its annual budget to support the work of the Whole-Place pilots.⁴²

Each area submitted Business Plans to central government outlining plans for public services to be incorporated into Whole-Place budgets and the potential savings associated. Priorities across each area varied, however a criticism of the pilot is that savings generally skewed towards health and social care budgets⁴³ and 'common outcomes' could lead to more successes.⁴⁴

Evaluations of Whole-Place Community Budgets find that a more coordinated use of budgets could reduce central government costs. A report by Ernst and Young found that if the pilot scheme was scaled up nationally, it had the potential for savings between £9.4 billion and £20.6 billion.

39 Mutual Ventures, Revisiting Total Place, 2024. Available at: <https://www.mutualventures.co.uk/post/revisiting-total-place>

40 Local Government Association, Whole Place Community Budgets: A Review of the Potential for Aggregation, 2013. Available at: <https://cdn.ps.emap.com/wp-content/uploads/sites/2/2013/01/LGA-and-EY-Community-Budgets-Report-.pdf>

41 New Local, "It's time for Total Place 2.0": John Denham in conversation with Jessica Studdert, 2024. Available at: <https://www.newlocal.org.uk/articles/total-place-2-0-video-john-denham/>

42 Local Government Association (2012) Whole-place community budgets: A review of the potential for aggregation. London: Local Government Association. Available at: <https://www.local.gov.uk/sites/default/files/documents/whole-place-community-bud-99a.pdf> (Accessed: 1 May 2025)

43 Local Government Information Unit (LGIU) (2013) Whole-place community budgets: an LGiU essential guide. London: LGiU. Available at: <https://lgiu.org/wp-content/uploads/2013/04/Whole-place-community-budgets-an-lgiu-essential-guide.pdf> (Accessed: 1 May 2025).

44 Ernst & Young (2013) Whole-place community budgets: a review of the potential for aggregation. London: Local Government Association. Available at: <https://www.local.gov.uk/sites/default/files/documents/whole-place-community-bud-99a.pdf> (Accessed: 1 May 2025).

We should consider revitalising the Neighbourhood Agreements pilot, one element of Total Place. These were voluntary agreements between local government, relevant local public services and residents and as of March 2010, 12 pilot voluntary agreements were in operation. As a Home Office evaluation of the scheme in 2012 describes:

“Service providers and residents work together to identify local priorities and what can be done to address these. The agreed priorities and service standards should then be documented and available to the public as a reminder of what has been agreed.”⁴⁵

Agreements relied heavily on public consultation through focus groups and polling. Each area selected a lead partner to identify resources and develop strategy, the partner was decided upon between local agencies who submitted applications to the Home Office.

Learning from Neighbourhood Agreements showed long term planning and engagement of residents to be conducive to successful agreements. Furthermore, establishing ‘quick wins’ generated visibility and momentum for the partnerships and contributed to the long-term engagement of residents.

Considering the boundaries and capacity of service providers and existing links within communities before defining areas for implementation also led to greater successes. In many areas the final Agreement was seen as an ‘extension or formalisation of how [local services] already engaged communities’.⁴⁶

Stakeholders have spoken positively to the Commission about the benefits of these agreements and their potential to improve the impact of public spending within disadvantaged neighbourhoods.

These agreements would be convened by the Local Authority bringing together the various public sector actors that operate within these neighbourhoods and ensure appropriate democratic oversight.

The agreements would need to be made public and neighbourhoods given genuine opportunities for engagement, they would also need to be a mechanism to regularly review and update the agreements. Oversight would also need to be provided to evaluate the enforcement of the agreements and highlight potential discrepancies between what was agreed and the actions of public agencies.

Local insights – Community Solutions, Barking & Dagenham Council

Barking and Dagenham Council was facing a range of severe challenges in 2017. These included: having the youngest population in London, the highest poverty levels, and some of the highest levels of unemployment. Unsurprisingly, given this challenging context, service demand was rising, putting significant pressures on the Council.

Siloed working, in which different services failed to work collaboratively, was identified as a major barrier to improved service delivery; essential if the rising demand was to be stemmed. In response, the Community Solutions service was formed, bringing together 16 different frontline teams under one roof. Those teams including housing services, children’s social care, learning and skills and libraries.

Use of temporary accommodation fell from 18,76 households in 2018 to 1,404 in 2021, saving over £1 million. Homes and Money Hubs supported 3,000 residents, with more than 1,000 entering work and 500 beginning volunteering. Barking and Dagenham also enjoyed a 24% reduction in the level of antisocial behaviour.

Source: <https://www.crisis.org.uk/ending-homelessness/resources-for-practitioners/homelessness-prevention-guide/london-borough-of-barking-and-dagenham/>

⁴⁵ Home Office, Learning from the Neighbourhood Agreements Pathfinder Programme, July 2012. Available at: <https://assets.publishing.service.gov.uk/media/5a756a30ed915d6faf2b2ce9/occ107.pdf>

⁴⁶ Home Office (2012) Learning from the Neighbourhood Agreements Pathfinder Programme. Occasional Paper 107. London: Home Office. Available at: <https://assets.publishing.service.gov.uk/media/5a756a30ed915d6faf2b2ce9/occ107.pdf> (Accessed: 1 May 2025).

Questions for consultation

- Do you agree with the idea of Neighbourhood Agreements?
- What lessons can we learn from the voluntary agreements within Total Place?
- How long should the agreements last for?
- Who should monitor their implementation?
- Should there be any sanctions for breaching these agreements?

12. Neighbourhood Budgets

We could go further than Neighbourhood Agreements. Inspired by the principles of Total Place, the government could introduce Neighbourhood Budgets. These would be pooled, place-based budgets for a neighbourhood. Following a Neighbourhood Expenditure Audit, see above, instead of funds being allocated through standard public service bodies, they could instead be allocated directly to the relevant Neighbourhood Agreement, then shared between local public services, working in close partnership with the relevant local authority.

A classic issue in attempts to facilitate joined up working in public services is that there is little financial incentive to do so. Neighbourhood

Budgets would seek to address this, giving financial backing behind any local partnership working. To get local areas to participate, there may need to be an additional incentive. Inspired by how the Department for Education quickly rolled out academisation of schools, central government could provide a proportional top-up to pooled neighbourhood budgets, for example 5 or 10%, through the local authority.

Neighbourhood Budgets would initially be targeted at the mission critical neighbourhoods or a sub-set of these neighbourhoods, for example, the Top 100 neighbourhoods ranked by need. This would ensure that it was administratively manageable and enable top-up funding for the most disadvantaged places.

Table 7 – Neighbourhood Budgeting process

Stage	Description
Step 1	Conduct Neighbourhood Expenditure Audit to identify public spending in a neighbourhood.
Step 2	Bring local public service partners together to create Neighbourhood Budget. Ideally includes health, adult social care, children's social care, homelessness, employment support spending.
Step 3	Central government or Strategic Authority provides top-up funding to Neighbourhood Budget and provides assurance and oversight.
Step 4	Neighbourhood Board begins process of service redesign from one pooled Neighbourhood Budget, with the intention of redesigning much more integrated public services with service boundaries blurred.

There would be administrative challenges to implementing Neighbourhood Budgets, from ensuring appropriate information was gathered at a neighbourhood level to the different time scales for public spending within a place and the allocation of budgets. Neighbourhood Budgets would likely need to initially cover revenue expenditure rather than capital expenditure, however over time and with appropriate consultation, it could be possible to include all spending (revenue and capital) within a place.

Neighbourhood Budgets would need to be administrated through a collaboration between HM Treasury and local authorities as the body ultimately responsible for all public spending across all departments and parts of the state. There could also be a role for strategic authorities to have oversight of neighbourhood budgets across their region and to provide more direct oversight of the implementation of neighbourhood budgets within their regions.

Questions for consultation

- Do you agree with the idea of Neighbourhood Budgets?
- What lessons can we learn from previous measures such as Total Place / Community Budgets?
- How long should the budgets last for?
- At what level of government should budgets be overseen and monitored?

13. Neighbourhood Respect Duty

There is no general duty to consult,⁴⁷ however there are specific requirements to consult in specific policy areas. These include in housing and planning, where there are requirements for local planning authorities to consult residents likely to be affected by certain decision on relevant planning applications.⁴⁸

Yet in other areas of public services, there are fewer requirements to consult. This means that decisions can be taken without the appropriate consideration of their impact on residents.

We have heard this message loud and clear throughout the Commission's visits, with the public sector withdrawing from some of our most disadvantaged neighbourhoods without appropriate consideration for the needs of residents there. On our visits we have also been shocked by the lack of engagement from agencies such as the NHS, policing, and transport providers about the delivery of public services, with opportunities to share intelligence and improve delivery being missed through a lack of regular dialogue. The value of social infrastructure is often under-appreciated by the public sector because of a lack of engagement and understanding.

Of course, this withdrawal is often driven by acute financial pressures, often beyond the relevant authority's control, but it still means that those areas with the greatest financial and social resources can lobby the most effectively against proposed closures.

Moreover, as funding is increased to public service providers over the coming Parliament, it is important that better outreach into disadvantaged neighbourhoods is encouraged.

To empower communities, we propose a Neighbourhood Respect Duty. This would place a new duty on public agencies to consult and meet with residents to discuss a specific problem or set of problems in their areas. Neighbourhoods would be able to appeal directly to an agency if they are able to meet certain thresholds or apply to an appropriate guardian for the duty (e.g. a Neighbourhoods Commissioner).

A similar duty exists in policing with the Anti-Social Behaviour Case Review or Community Trigger in policing where victims can ask for a review of their cases and bring together relevant agencies to find a solution. A stakeholder at our policy workshops referenced the Community Trigger and how in their area it had brought together policy, local authorities and other agencies that had for years ignored the problems in their neighbourhood.

Another example of this 'convening power' has been the use of Citizen Audits in Liverpool, where they have brought local council officers into direct contact with local residents to discuss the performance of local services.⁴⁹ The Audits provided a direct opportunity for citizens to share their experiences and to improve services in their areas based on the direct experience of people living there.

The duty would not directly resolve any problem but would give neighbourhoods that feel they have been ignored, the chance to re-establish relationships with relevant public agencies. This dialogue can create the conditions for service delivery improvements and policy changes as well as build the confidence of people living in these places.

⁴⁷ Pinsent Masons, Public consultation in the UK. Available at:

<https://www.pinsentmasons.com/out-law/guides/public-consultation-uk>

⁴⁸ Ibid.

⁴⁹ Andrew O'Brien and Courtney Stephenson, Power and Place: the Fundamentals, 2023. Available at:

https://demos.co.uk/wp-content/uploads/2023/12/NESTA-UK-Options-2040-Report_0712.23.pdf

Questions for consultation

- Do you agree with the idea of a Neighbourhood Respect Duty?
- How should it be administered?
- Should communities be able to trigger engagement with local authorities and other agencies?
- What should be the threshold for triggering an intervention?

14. Right to 'Call In'

In our visits around the country, we have heard from local authorities and strategic authorities the challenges they face in convening local public sector stakeholders to address the challenges faced by disadvantaged neighbourhoods. Although the public sector should naturally have a culture of collaboration, the silos and fragmentation of funding can make it difficult to assemble all the relevant actors to work together on a common plan to improve outcomes, in particular those actors such as the NHS that have considerable local footprint but are not locally democratically accountable.

Discussion is not a substitute for action, but more could be done to empower locally democratically elected bodies (e.g. local councils and elected mayors) to be able to 'call in' all public sector bodies working within a neighbourhood to begin a dialogue on pooling resources and delivery of services or programmes at a neighbourhood level to improve outcomes.

Local councils or Mayors could appeal to the relevant Secretary of State to be able to have the power to be able to request all public agencies within a local area to meet for a set period of time (up to 2 years) to respond to consistent outcomes failures within a neighbourhood. All partners would also be required to share information with the local authority or strategic authority that has 'called in' in the local stakeholders. Representatives both elected and unelected from the neighbourhood that is referenced would also sit in as part of the process.

Unlike the Neighbourhood Agreements, this forum would not be voluntary and all actors would be required to come together to develop a common plan that would be administered by the local authority. The 'Call In' process would also not provide additional resources, providing an incentive for bodies to voluntarily come together to work out a shared agenda. The 'Call In' process could lay the foundations for voluntary agreements to take place along the lines of the Neighbourhood Agreements outlined above.

Questions for Consultation

- Do you agree with the Right to 'Call In' for local authorities and strategic authorities?
- How should the right be implemented? Which agencies or bodies should be in scope?
- What should be the end result of the 'Call In' process?
- How can local residents get involved in this process?

15. Neighbourhood Right to Request Time

Demos have previously proposed a 'Community Right to Request Time'.⁵⁰ This is a response to a perennial challenge facing communities: while they often have the knowledge of their local places and lived experience that is essential to developing effective ideas to improve their areas and maintain vital institutions, they may lack other skills that they need to bring these to reality. For example, they may lack the financial skills to be able to develop business plans or access finance that they need to bring those ideas to reality. Over the long term, it is important that local communities are given access to the investment that they need to independently build up their financial and organisational capabilities.

However, in the short to medium term it is important that communities can draw on the expertise of other parts of society to develop their ideas and solutions. It is also the responsibility of businesses and the public sector to help communities as well, rather than waiting for communities to provide all the answers. Without the active engagement of the public and private sector, we will not develop the true potential of communities. To help to turn this from an idea into reality, we are proposing that communities should have the right to request time and expertise from public sector bodies and large businesses to support community-led institutions. Communities would have the right to request up to five days per year per request to help them to develop their ideas, funding proposals, or to find ways to sustain local institutions or infrastructure.

A request would need to meet a number of criteria to get support including:

- Demonstrate that request has support from the neighbourhood – this could be done through 100 signatories from the local area, for example.
- Is related to a specific demand for support and skills (e.g. to develop a business plan, to help with marketing).
- Can demonstrate that there is a realistic prospect that any time or expertise given up will be effectively used.

Additional weighting should also be given to requests that come through formalised institutions at a local level (e.g. community businesses, charities, social enterprises etc.). This right would give neighbourhoods the right to draw on the expertise and experience of the public and private sectors to boost their own creativity and capabilities. Public sector bodies would be given statutory guidance that they should, unless it would create significant financial cost or undermine other statutory duties, accept all requests from community-led organisations. Public sector bodies would also be encouraged to proactively consult and map the skills and capacity needs of communities so that they are in a position to support their ideas.

Requests and responses to request should be published and the reasons for rejection should be made clear. Given the additional burden placed upon local authorities and other agencies, central government could compensate these institutions for time given over to neighbourhoods.

Questions for consultation

- Do you agree with the idea of a Right to Request Time?
- How should it be administered?
- Who should be able to request time?
- Should local authorities or other public agencies be compensated centrally for any time given to neighbourhoods?

⁵⁰ Andrew O'Brien, Taking Back Control, Demos, 2024. Available at: https://demos.co.uk/wp-content/uploads/2024/06/Taking-Back-Control_Paper_final.pdf

16. Neighbourhood Right to Control Investment

Governments have historically sought to inject resources at a local level – most recently through Levelling Up Funds and the new Plan for Neighbourhoods. However, we have heard repeatedly how often the voices for those living in these places is not taken into account and decisions are made that ignore the views of the most disadvantaged places.

Not only does this reduce trust between people and the state, it also reduces the effectiveness of public spending as vital local intelligence is lost. An opportunity to foster collaboration between local residents, councils and strategic authorities is also potentially missed. The new Plan for Neighbourhoods has welcome reference to the need to reach out to neighbourhoods and consider the needs of the most disadvantaged places, but this could be done on a more formal level rather than on an ad-hoc basis.

The We're Right Here campaign has called for a 'Right to Control Investment' which would give residents and local anchor organisations a meaningful say over how public funds are spent in their neighbourhoods.

The Right to Control Investment would be triggered when new government capital investment or area-based programme is introduced and locations for spend identified. Once this has happened, representatives from

that area (e.g. registered charities or voluntary organisations or a threshold of residents) would be able to petition to be part of the decision-making process for how the funding is spent alongside the local authority and strategic authority.

These actors would be given information on the spending criteria and given three months to develop proposals for how this could be effectively spent in their areas. Central government (or strategic authority) administrators of the investment would then be obliged to respond to their ideas, with their response made public. If they did not allocate resources in line with the views of local residents, local council and strategic authority they would need to give a 'Neighbourhood Response' outlining why they had decided to make a different decision and what evidence they have used to come to this decision. These responses could be reviewed regularly by a Neighbourhoods Commissioner or other appropriate actor to assess whether neighbourhood voice is truly being respected.

The aim of the Right to Control Investment would be to maximise the impact of already planned public expenditure and build stronger relationships between citizens and government. It would also encourage collaboration at all levels of government between local residents, local authorities, strategic authorities and central government.

Questions for consultation

- Do you agree with the idea of a Right to Control Investment?
- What investment should be in and outside of scope?
- Who should be able to request the right to participate in decision making?
- What should be the appropriate role for local and strategic Authorities in the Right to Control Investment?

Chapter 4 – A sustainable future for neighbourhoods

We also recognise that investment and support for mission critical neighbourhoods needs to be put on a sustainable footing. Initiatives to transform neighbourhoods can take a decade, sometimes several decades, to achieve results. There is no such thing as a ‘quick fix’ for neighbourhoods. Gains made, however, can be rapidly lost if support and investment is taken away from the places that need them.

This chapter will consider options to provide sustainable funding for neighbourhood-based policies and how this might be secured, and other elements of sustainability.

17. Neighbourhoods Mobilisation Formula (NMF)

As outlined in our Interim Report, mission critical neighbourhoods face multiple overlapping policy challenges. Ill health, economic inactivity, crime, and lack of opportunity feed into each other. Overcoming these multiple challenges required the mobilisation of the entire neighbourhood to be able to achieve lasting results. However, as also noted in our Interim Report, many places lack the social infrastructure (and the social capital it creates) to be able to actively engage with government policy interventions as well as sustain improvements.

Government, unfortunately, has often taken for granted the existence of appropriate conditions for policy interventions or investment programmes. We have heard on our visits and through our engagement with stakeholders how this can mean that what could be successful initiatives have fallen on rocky ground and been able to make progress within neighbourhoods.

Moreover, government support is often subject to a high degree of policy churn. This is particularly the case for local growth and regional development policy. As the Levelling

Up White Paper itself acknowledged, between 1975 and 2015 there were 40 programmes or initiatives launched in pursuit of this aim of moving power out of Whitehall.⁵¹

Put simply: central government is too often an impatient and unreliable investor in neighbourhoods. This means that positive initiatives are abandoned before their full effects are realised – see Sure Start – or even once they are known to be successful but are seen as creatures of one’s political opponents – see the New Deal for Communities. As a result, the challenge is to attempt to de-politicise or at least insulate positive central government initiatives from the carousel of ministerial or government change.

Inspired partly by the Barnett Formula, which aims to ensure that increases in public spending in England are translated into equivalent increases in Wales and Scotland, we propose a Neighbourhood Mobilisation Formula to ensure that mission critical neighbourhoods get their fair share of public spending. We suggest that this is used to fund social infrastructure and area-based initiatives within these neighbourhoods.

The formula would act as ‘premium’ on new government spending programmes. Over the course of this Parliament, public sector current expenditure (excluding investment and depreciation) is due to increase by £258bn.⁵² Although 40% will go to welfare expenditure and debt interest, the other 60% is essentially

⁵¹ Institute for Government, Churn in ‘levelling up’ policies in the UK, 2022. Available at: <https://www.instituteforgovernment.org.uk/article/explainer/churn-levelling-policies-uk>
⁵² Office for Budget Responsibility, Economic and Fiscal Outlook, March 2025

discretionary. Some of this spending will go to pay for increased labour costs and hiring new staff, however, some of this will be used to fund new expenditure programmes. In the Autumn Budget, £25.9bn in additional spending decisions were made.

As we have argued in our Interim Report, given the importance of social infrastructure to ensure effective impact for government investment, a portion of new spending should be put into mobilising and activating neighbourhoods to be able to make use of these additional resources. The NMF could work as follows:

Example of Neighbourhood Mobilisation Formula in practice

The Chancellor outlines £4bn in additional qualifying expenditure (e.g. non-capital, non-welfare, non-compensation expenditure) within England. A proportion (1%) of the expenditure is then put into a Neighbourhood Activation Fund which is distributed to mission critical areas (approx. £40m) through local authorities or a neighbourhood programme or endowment.

The Neighbourhood Activation Fund distributes this resource to social infrastructure in mission critical neighbourhoods. These actors help to work with local public service providers, local authorities and combined authorities to get their neighbourhoods ready for new programmes (e.g. employment support, public health etc.) and ensure that they have a good landing.

The formula would be similar to other policy premiums such as the pupil premium that provided additional resources to schools that had pupils from disadvantaged backgrounds to take into account the additional needs of those students. Experts have found that the premium has had a positive impact on boosting attainment⁵³ and the consistency of additional investment has provided some certainty for schools. The formula would also be automatic (like the Barnett Formula) to avoid the resource being diverted to other purposes. The list of eligible neighbourhoods would be updated regularly and through objective measures (e.g. Hyper-Local Need Measure, Community Needs Index, Index of Multiple Deprivation).

Activation funding would likely fluctuate from year to year and in some years, if no new government programmes are announced, it may be zero. The fund would, therefore, have to work with neighbourhoods to smooth out funding requirements.

This would also complement existing work to change the funding formulas to local authorities to better align spending power to the needs of local communities. However, local authority spending has traditionally been focused on the need to provide resources to meet specific service obligations and needs within a local community, whereas mission critical neighbourhoods require additional resources above and beyond the core delivery of local authorities or other public agencies to be able to close the gap between the outcomes they experience and those of other neighbourhoods.

Questions for consultation

- Do you agree with the idea of a Neighbourhood Mobilisation Formula?
- What spending would qualify for the formula?
- Should the formula be calculated over a set period (three years) or an annual basis?
- What social infrastructure should qualify for 'activation' funding?

⁵³ <https://nationalcollege.com/news/an-expert-overview-of-pupil-premium>

18. Neighbourhood 'Match'

Despite pressures, the UK still has a thriving and diverse culture of philanthropy. Many foundations and charitable institutions are investing in the areas that we have identified as mission critical neighbourhoods.

Although government has a vital role to play in funding social infrastructure and improvements in outcomes at a neighbourhood level, we need to utilise the resources of civil society and private philanthropy. The largest trusts and foundations spend £3.7bn a year.⁵⁴ The National Lottery spends £1.9bn a year⁵⁵ and charitable giving by FTSE100 companies is £1.82bn a year.⁵⁶

If government is to make a major investment in disadvantaged neighbourhoods, civil society and private philanthropy could be asked to "match" this investment through a neighbourhood match scheme. Indeed, the government already recognises the potential for achieving wider government objectives through its Civil Society Covenant, which seeks to reset the relationship between the government and civil society and to work cooperatively on achieving the government's five missions.⁵⁷

A Neighbourhood Match programme would work by asking foundations and FTSE100 companies to allocate 1% of their spending to National Neighbourhoods Endowment (see below) or local Neighbourhood Activation Funds. This could generate a £70-100m a year "top up" to neighbourhood investments in mission critical neighbourhoods.

Alternatively, foundations and FTSE100 companies could provide evidence of programmes that they are already running or investments that they have already made in mission critical neighbourhoods to help better align and allocate resources across neighbourhoods, this could be done using shared data standards such as 360 giving. Foundations or private foundations could also "sponsor" neighbourhoods alongside the government, building on models seen in places such as Stoke and Bishop Auckland where philanthropists have invested considerable resources into improving outcomes within an area.

A match approach has already been taken with the Community Wealth Fund (CWF), with £87.5m provided by the government through dormant assets and £87.5m being provided by the National Lottery.⁵⁸ Approaches like this can help to generate significant support for disadvantaged neighbourhoods but need to become a regular feature.

Questions for consultation

- Do you agree with the idea of a Neighbourhood Match scheme?
- How should foundations and private philanthropists be encouraged to match the resources of the government?
- What resources should be in scope?
- Do you agree with the idea of foundations or philanthropists sponsoring a neighbourhood alongside government to improve outcomes within a neighbourhood or cluster of neighbourhoods?

⁵⁴ House of Commons Library, The National Lottery, 2024

⁵⁵ House of Commons Library, The National Lottery, 2024

⁵⁶ CAF press release, September 2024. Available at: <https://www.cafonline.org/home/about-us/press-office/donations-from-ftse-100-companies-to-charities-have-not-kept-pace-with-profits-over-the-past-decade>

⁵⁷ Department for Culture, Media and Sport, Civil Society Covenant Framework launch, 2024.

⁵⁸ Local Trust, The Community Wealth Fund. Available at: <https://localtrust.org.uk/policy/the-community-wealth-fund/>

19. National Neighbourhoods Endowment

To provide an appropriate vehicle for investment in neighbourhoods, some have proposed a National Neighbourhoods Endowment – to receive the proceeds of various funding streams.

This would learn from the fact that many of the most durable policy innovations of modern Britain have relied on institution building and, crucially, allowing such institutions to operate independently, away from the whims of Whitehall. As Oakley et al note in reference to the last Labour government:

"Although the New Labour period witnessed a high degree of institutional formation in the United Kingdom, many of its initiatives, from regional development agencies to the Film Council, have not survived."⁵⁹

One exception, Oakley et al highlight, is Nesta, formerly The National Endowment for For Science, Technology and the Arts (NESTA).⁶⁰ Launched as a non-departmental public body, this allowed it to operate with a high degree of autonomy from government. While many New Labour institutions were subsequently scrapped by the Coalition Government, such as the Film Council,

Regional Development Agencies and the Social Exclusion Unit, Nesta survived and formally spun out from government in 2012 to become an independent charity; further cementing its autonomous status.

A new National Neighbourhoods Endowment could provide a long-term secure partner for neighbourhoods and seek to leverage additional resources into places, similar to the role of Better Society Capital in the social investment market.

The Endowment would need a considerable initial resource to provide a long-term sustainable funding pool. An initial endowment of £1bn, for example, could generate around £40–50m in revenue for social infrastructure on an annual basis in perpetuity. Alternatively, it could take a time-limited approach and seek to spend out over a period of ten years, with government and other stakeholders topping up funding over that period. The Endowment could also become a distributor of dormant assets, so that there is a constant source of revenue for future spending.

The endowment could fund a range of programmes from community leadership and capacity building to enterprise development and purchase of new social infrastructure for disadvantaged neighbourhoods.

Questions for consultation

- Do you agree with the idea of a National Neighbourhood Endowment?
- How should it be resourced?
- What neighbourhoods should qualify for investment?
- Should it be permanent or time-limited?

⁵⁹ Oakley, K., Hesmondhalgh, D., Lee, D., & Nisbett, M. (2014). The national trust for talent? NESTA and New Labour's cultural policy. *British Politics*, 9(3), 297–317. <https://doi.org/10.1057/bp.2013.34>

⁶⁰ Oakley, K., Hesmondhalgh, D., Lee, D., & Nisbett, M. (2014). The national trust for talent? NESTA and New Labour's cultural policy. *British Politics*, 9(3), 297–317. <https://doi.org/10.1057/bp.2013.34>

20. Mission Bonds

Over the past decade, the social impact investment market has grown considerably, rising to over £10bn according to the latest estimate.⁶¹ There are challenges in providing social investment for neighbourhoods, particularly around repayment for investment particularly given the economic challenges in these areas.⁶²

However, there may be models of social investment that can operate at a neighbourhood level with appropriate support from central government. One model is the “Shared Outcomes” model, building on programmes such as the Life Chances Fund and Shared Outcomes Fund.

In this model, central government creates an outcome fund which pays out to investors if certain objectives are achieved (e.g. reducing homelessness, improving access to employment etc.). Investors provide upfront investment to community groups or other organisations to deliver interventions that improve those outcomes. Data is shared between investors and the government to ensure that outcomes can be measured and then a return paid out to investors if they are able to hit certain targets.

Evaluation of shared outcomes approaches has found considerable savings for taxpayers can be generated. For example, an independent evaluation in 2024 found that 86 shared outcomes contracts between government and partners had generated £507m in fiscal value to the state.⁶³

Generally, these shared outcomes funds have been based on a specific policy challenge (e.g. skills) or cohort (e.g. homelessness) rather than a neighbourhood or population. However, our engagement with stakeholders in social impact investment indicates that it should be possible to design a fund that can work on a neighbourhood level.

Mission Bonds could be a Shared Outcomes Fund targeted at a certain proportion of mission critical neighbourhoods (e.g.

50 places). A £500m fund targeting fifty neighbourhoods would enable £10m in payments to be made to investors for each neighbourhood, potentially leveraging £7–8m investment per neighbourhoods for social infrastructure and social capital building programmes and providing returns attractive enough to channel investment.

The Fund would then monitor the improvements in outcomes across these neighbourhoods, potentially weighted to those with direct cashable savings to the Exchequer (e.g. reducing welfare claimants) and pay out to investors depending on the level of impact achieved. This could then encourage multiple rounds of investment from social investors.

Mission Bonds could be administered at a combined authority level, with learning shared across the region and with risk shared between central and regional tiers of government. Combined authorities (or local authorities) may also be able to pool resources into a shared fund and potentially raise their own mission bonds.

The Bonds would have to operate over a reasonably long period of time, at least a decade, to enable a realistic timeframe for improvements to take place. Moreover, risk would need to be weighted towards government and investors, as disadvantaged neighbourhoods are unlikely to have the resources to be able to pay investors in the event of outcomes not being achieved. However, by leveraging private capital into neighbourhoods, there may be the potential for more innovative approaches and programmes to be taken above and beyond what may normally be approved by government programmes. If the model was found to be successful, the depth of private capital markets mean that it could potentially be delivered at scale.

The government is already considering such questions through its Social Impact Advisory Group. This would be a good forum for discussing and considering our Mission Bonds proposal.⁶⁴

61 Better Society Capital, 2023 Market Sizing. Available at: <https://betersocietycapital.com/2023-market-sizing/>

62 Local Trust, Levelling the Land: Social investment and ‘left behind’ places, 2021. Available at: https://localtrust.org.uk/wp-content/uploads/2021/11/Levelling-the-land_November-2021.pdf

63 <https://betersocietycapital.com/our-approach/social-outcomes/outcomes-for-all/>

64 HM Treasury, Social Impact Investment Advisory Group: terms of reference, 2025

Questions for consultation

- Do you agree with the idea of Mission Bonds for mission critical neighbourhoods?
- How should a fund be structured?
- What would be the risk of social investment in disadvantaged neighbourhoods?
- Should Bonds be centrally administered or should combined authorities or local authorities be able to raise their own mission bonds?

Conclusion and next steps

As outlined in our Interim Report, ICON proposes to test these policy options and other proposals with four 'policy tests' to prioritise those options that have the highest potential.

We will publish the evaluation of outcomes of these tests, the consultation responses received, and other proposed options in August 2025, ahead of our final report.

Table 8 – The proposed policy tests

Strategy

Policies to improve outcomes at a neighbourhood level should address the core priorities of the government (e.g. the missions) so that they can be effectively integrated into the Spending Review and other aspects of government policy making. Neighbourhood policy should not be isolated or seen as a 'luxury'. Although there are strong moral and ethical reasons for neighbourhood interventions, policies must be able to compete on the basis that they can effectively deliver on the core priorities of the government of the day.

Evidence

Evaluating neighbourhood level outcomes can be challenging. At ICON's evidence gathering sessions in St George's House there was considerable debate about what evidence can be reasonably obtained at a neighbourhood level. However, we have seen through evaluations of the New Deal for Communities that policies can be effectively measured. There are also several ongoing academic research programmes and ICON itself is contributing to strengthening the evidence base for neighbourhood policy. Amid a challenging fiscal environment, government needs to be careful about where it invests time and resources. Priority should be given to those solutions that can demonstrate the most robust evidential base.

Scale

Every individual neighbourhood is different and it is important that policies are adaptable to conditions on the ground. We need to identify models of policy delivery that can be replicated at scale given the number of neighbourhoods that are lagging behind on the government's mission priorities. Policies which can demonstrate their ability to operate across a range of areas and circumstances should be prioritised. For example, we have seen through our visits how the model developed through the Big Local programme is both something that can be delivered across dozens of places simultaneously and is also open to local adaptation. We need more policies of this type, if we are going to make significant progress on improving outcomes at a neighbourhood level.

Community empowerment

All the evidence is clear that policies which do not give local residents a voice and a say over decision making are less effective. We have seen through our visits, our focus groups and our polling that people are crying out for their views to be taken seriously. Moreover, the theory of change that underpins a neighbourhood approach to policy delivery relies on being able to leverage the energy and ideas of people living in the most disadvantaged places. It is only possible to do this if policies are designed in a way that truly empowers the community.

Many of the mission critical neighbourhoods identified in our Interim Report are places that have seen decades of decline. They have been economically isolated from the national economy and many struggle to access the public services and public goods which other places take for granted.

Transforming these neighbourhoods and improving the lives of the million people living within them is going to take years of patient investment, dedicated focus and selfless collaboration.

Whereas in the past it may have been possible to ignore these neighbourhoods and hope that redistribution from more successful parts of the economy improves their conditions, this is no longer an option. The economic cost, beyond the social cost, has become unsustainable.

The scale of the challenges the places face mean that we cannot afford to ignore any

potential policy option that has a realistic prospect of success. The fiscal environment means that not everything can be done, but at a time when public expenditure is due to rise by over £250bn over the next five years, we can afford to invest in evidence-based policies for renewal.

This Green Paper is a call to action.

We do not have to be fatalistic about our ability to support these neighbourhoods.

In our policy workshops and visits we have seen enthusiasm and energy to think boldly about what can be done. This paper shows that we are not short of ideas for change.

We are grateful to the support that the Commission has received for its work so far.

We look forward to hearing from you about what we can do to deliver neighbourhood renewal.

Annex: Attendees of ICON's two-day policy workshops at Church House, Westminster – April 2025

We are grateful to all the organisations that participated in our workshops at Church House:

Organisation

- Brereton Big Local
- CEVA Global
- Clore Leadership
- Community Land Trust Network
- CONTINUUM CIC
- Crest Advisory
- Department of Health and Social Care
- Dover Big Local
- East Marsh United
- Gloucestershire Gateway Trust
- Greater London Authority
- Impact on Urban Health
- IMPOWER Consulting
- HM Treasury
- Innovation Unit
- Institute for Government
- Islington Council
- Kings College London
- Lloyds Bank Foundation
- Local Trust
- Ministry of Housing, Communities and Local Government
- NCVO
- NCVO
- Newcastle University
- North East Combined Authority
- People's Health Trust
- Plymouth University
- Power to Change
- PPL
- Progressive Policy
- Public First
- Public Service Consultants
- Sheffield Hallam University
- University of Reading
- WEA

Please note that the views in this report are ICON's only and should not be taken as representative of the individuals and/or organisations listed in this Annex.

