



GOVERNMENT OFFICE
FOR THE NORTH WEST

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Dear Colleague

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FUTURE OF NEIGHBOURHOOD RENEWAL FUND (NRF)

As you may have seen the 2007 Pre-Budget Report and CSR says (paragraph D5.13),

To support the most deprived areas the 2007 CSR provides over £2 billion for neighbourhood and local renewal. This includes continuing the New Deal for Communities partnerships, a new programme to strengthen communities during estate transformation and a new enterprise and renewal fund to target resources more intensively according to neighbourhood deprivation. In line with the recommendations in the SNR, the new fund will have a stronger emphasis on tackling worklessness, promoting enterprise and improving skills, and will include a reward element to strengthen incentives to improve performance.

The £2 billion referred to above includes a specific funding stream to focus on improving the economic prospects of people living in deprived areas - The Working Neighbourhoods Fund. Detailed allocations of this £2 billion funding pot will be announced following the publication of the Local Government Finance settlement in December, including how much will go into the new fund as well as how much each eligible authority will receive. This will follow the publication of the Indices of Deprivation 2007 in November.

In addition, the focus on deprived areas will be maintained through a CLG Departmental Strategic Objective focused on continuing the commitments of the National Strategy for Neighbourhood Renewal.

While we have been able to make some progress in terms of reducing crime improving educational attainment and improving health, we have not made as much progress in getting people into work. It is for this reason that the new fund is being created with a focus on building the economic base of deprived areas, reducing worklessness and growing enterprise.

The new fund will be paid as part of Area-based Grant through LAAs. This means that local areas potentially have a much larger pot of money which they could use to tackle wider deprivation including health, education and crime. It is also important to recognise that it was always the Government's intention to move away from specific grant programmes and to ensure that deprivation is tackled through the 'bending' of mainstream programmes. Deprivation will continue to be tackled through this avenue in addition to the funding for the new fund.



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The SNR said that we should reduce the number of areas that will get neighbourhood funding. However until the new Index of Multiple Deprivation 2007 (IMD 2007) has been developed later this year, it will not be possible to determine eligibility. We appreciate that local authorities that currently receive NRF will be anxious to know if they will continue to get funding. We are still considering the issue of transitional funding and will make a decision on this when the new IMD 2007 becomes available.

The creation of the new fund does mean that we need to consider the future role of the Local Enterprise Growth Initiative (LEGI). LEGI winners, from both rounds of the fund, now have confirmed funding for their first three years, and the Government's future plans will be announced in due course. But we intend to build on the best practice of LEGI through the Working Neighbourhoods Fund and not through a further competitive bidding round.

Although no consultation is planned on the principles of the new fund, we will want to talk to partners about how it is operationalised over the coming weeks.

Yours sincerely

Brian Holmes