

House of Commons
Transport, Local Government and
the Regions Committee

**THE NEED FOR A
NEW EUROPEAN
REGENERATION
FRAMEWORK**

Twelfth Report of Session 2001–02

*Report and Proceedings of the Committee
together with Minutes of Evidence
and Appendices taken before the
Urban Affairs Sub-Committee*

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the memorandum number, eg ERF 01.

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TWELFTH REPORT

The Transport, Local Government and the Regions Committee has agreed to the following Report:

THE NEED FOR A NEW EUROPEAN REGENERATION FRAMEWORK

Conclusion

The loss of PIP has been a disaster. At the start of this inquiry we heard that the five new physical regeneration schemes which the UK Government notified to the European Commission following the closure of PIP are inadequate. Some progress has since been made, as the Government has started to look at imaginative ways to develop new schemes that are consistent with State aid rules, including a new gap funding scheme for housing.

However two and a half years of urban regeneration activity and outputs will have been lost by the time that the new housing scheme is approved. This will be compounded by an overall loss of momentum and most importantly, a loss of private sector interest and willingness to take part in regeneration, with many developers closing their regeneration arms. We have also heard how the lack of gap funding means that even the most innovative developers are now less inclined to develop difficult sites.

The Government has also begun to press for a new European Framework for regeneration but we remain concerned about how long it will take before this is agreed. We recommend that our successor Committee sees the Minister again in six months time to hear how much progress has been made.

Introduction

“What we have now in its place is a real mess, and the Department must accept some responsibility for that.”¹

1. *Towards an Urban Renaissance*, the 1999 Report of the Urban Task Force said, “Developing on brownfield land and recycling existing buildings must become more attractive than building on greenfield sites.”² Financial mechanisms are an essential part of this. During our predecessor Committee’s inquiry into the (then) proposed Urban White Paper, we heard that ‘gap funding’ through the Partnership Investment Programme (PIP) was one of the most important of such mechanisms.³

2. In December 1999, the European Commission ruled that PIP was an illegal State aid and the programme was closed to new applicants. In July 2000, our predecessor Committee undertook an inquiry into the Implications of the European Commission Ruling on Gap Funding Schemes for Urban Regeneration in England. This Report, published in September 2000, set out the Committee’s disappointment at this decision and its hugely damaging effect on regeneration.⁴

3. The Government’s response, of December 2000 stated that it had notified five new physical regeneration schemes to the European Commission (described below) and would seek in the longer term to agree a new regeneration Framework with the Commission.⁵ The five new schemes were approved last year. The evidence that we have received suggests that these are universally considered inadequate and that the effect of the European Commission’s 1999 ruling has gone much wider than PIP. The National Lottery, the European Structural Funds and other funding sources have been affected. It was clear, two years after the closure of PIP, that the effect of the European Commission’s decision was as bad as we had originally feared, if not worse.

4. We therefore decided to return to this issue. Our terms of reference were to consider:

- the effectiveness, usage and coverage of the five, new, European Commission approved, land and property regeneration schemes--direct development, speculative and non-speculative gap funding schemes, community regeneration and environmental regeneration;
- any barriers to regeneration caused by the current framework;
- the consequences for the urban renaissance in terms of outputs, outcomes and value for money; and
- the need for a new European Regeneration Framework.

5. We received 28 written memoranda and took oral evidence from 17 organisations over 3 evidence sessions held at the House of Commons, culminating in evidence from Lord Falconer, then the Minister of State for Housing, Planning and Regeneration. David Lunts advised us until March 2002 and Dominic Williams advised us thereafter. We wish to thank our advisors and all who gave written and oral evidence to us.

¹ Nigel Smith, Chairman RICS Regeneration Panel, Q237

² Page 11, *Towards an Urban Renaissance*, DETR, 1999

³ Paragraph 145, Eleventh Report from the Environment, Transport and Regional Affairs (ETRA) Committee, July 2000, HC185-I

⁴ Sixteenth Report from the ETRA Committee, September 2000, HC714

⁵ Paras 12-13, DETR Response to the ETRA Select Committee Report on the *Implications of the European Commission Ruling on Gap Funding Schemes for Urban Regeneration in England*, December 2000, CM4923

6. In our Report we consider:

- the wider consequences of the 1999 European Commission decision;
- the adequacy of the replacement schemes agreed last year;
- new schemes which the Government has proposed; and
- a new European Regeneration Framework.

We have also included a Glossary of some of the terms most commonly used when dealing with State aid, as an Annex to the Report.

The wider consequences of the 1999 European Commission decision

7. Our predecessor Committee took evidence from the Rt Hon Hilary Armstrong, MP, then the Minister for Local Government and Regions, in July 2000. She told us that the 1999 ruling had affected PIP and the Single Regeneration Budget,⁶ but did not know whether other funding streams such as the National Lottery or English Heritage's regeneration programmes⁷ were affected.⁸ The Office of the Deputy Prime Minister (ODPM)—formerly the Department for Transport, Local Government and the Regions (DTLR)—has only recently commissioned a study to investigate how widespread the consequences of the 1999 ruling are.⁹ Our evidence suggests that the consequences are very wide indeed. We have received evidence that the following funding programmes and mechanisms are amongst those affected:

- the National Lottery;¹⁰
- English Heritage's Historic Buildings, Monuments, Parks and Gardens Scheme;¹¹
- all Regional Development Agency (RDA) expenditure through the 'single budget';¹²
- English Partnerships' activities, including Priority Sites and the English Cities Fund;¹³
- the European Structural Funds;¹⁴
- local authority regeneration grants;¹⁵
- Urban Regeneration Companies;¹⁶ and
- fiscal measures such as tax credits.¹⁷

8. Many regeneration projects receive funding from a number of Government programmes. The presence of matched funding complicates matters, not least because the State aid rules require that the cumulative value of all public sector funding contributions should not exceed a specific percentage of the project cost.¹⁸ Jeff West of English Heritage told us:

"I think our principal concern about the way in which State aid rules are being applied at present has been the increasing difficulty the partners involved in trying to rescue historic buildings and areas at risk and do regeneration are having in putting together

⁶ Q178, Sixteenth Report from the ETRA Committee, September 2000, HC714

⁷ English Heritage was advised that it needed to be aware of State aid issues at the end of 1998 (Q289)

⁸ Q177, Sixteenth Report from the ETRA Committee, September 2000, HC714

⁹ Q467

¹⁰ ERF14

¹¹ ERF12

¹² Q314

¹³ ERF19

¹⁴ Q476

¹⁵ Q296

¹⁶ Q228

¹⁷ Q140

¹⁸ Page 27, *European Community State Aids, Guidance for All Departments and Agencies*, DTI 2001

funding packages. It is not the availability of our grant which is relevant and which is almost always a relatively small part of the eventual package but it is the difficulty they have in raising the other matched funding."¹⁹

9. Dave Chetwyn of Stoke on Trent City Council told us that taking together all the affected programmes, approximately £100 million of funding to the city has either been prevented, reduced or modified, following the 1999 decision. He estimated that this translated into 10,000 jobs.²⁰ Lord Falconer told us that:

*"The general view of people involved in this field is that this is a very important issue, and that it has had a detrimental effect on a large number of schemes, or prevented schemes going ahead. So until there is statistical evidence to the contrary, we should take the view that this is an important issue."*²¹

We look forward to the Office of the Deputy Prime Minister's full report on the wider effects of the 1999 decision on all regeneration programmes.

10. It is particularly disappointing that two of the measures introduced to meet the objectives of the Urban Task Force have been constrained by the State aid rules:

- (i) the Urban Task Force recommended that public-private investment funds should be established to attract additional private funding into areas needing regeneration.²² The Government intended that the English Cities Fund would be a way to meet that objective.²³ However English Partnerships told us that the Fund is restricted to the Assisted Areas²⁴ or small and medium sized enterprises (SMEs)²⁵ and subject to Aid Intensity Ceilings.²⁶ Lord Falconer admitted that this was not the original intention for the Fund.²⁷ **The fact that the English Cities Fund, which attracts significant private investment into a regeneration investment vehicle, has been affected by the 1999 ruling is a particular disappointment. We recommend that the Government tries again to develop a new vehicle that fulfils the objectives of the Urban White Paper, within the State aid constraints; and**
- (ii) another of the key recommendations of the Urban Task Force was the creation of Urban Regeneration Companies (URC).²⁸ Euan Hall of English Partnerships said that the activities of URCs outside the Assisted Areas will be constrained as a result of the PIP ruling.²⁹

11. The poor response by various public sector bodies in the UK has compounded the effect of the European Commission ruling. Central government departments appear to have some understanding of the problems but they have not communicated this very well to front-line staff who deal with grant applicants. We heard how the "official position" of English Heritage and the

¹⁹ Q298

²⁰ Q75

²¹ Q470

²² Page 267, *Towards an Urban Renaissance*, DETR, 1999

²³ Pages 63 and 151, *Our Towns and Cities: The Future - Delivering an Urban Renaissance*, DETR, 2000

²⁴ See Glossary for definition

²⁵ See Glossary for definition

²⁶ See Glossary for definition

²⁷ Q539

²⁸ Page 154, *Towards an Urban Renaissance*, DETR, 1999

²⁹ Q278

Heritage Lottery Fund was that their funding programmes were subject to State aid rules but that “many of the people working in those organisations were probably not aware of that.”³⁰ This lack of information leads to confusion and delays. In the case of the Middleport Waterfront Townscape Heritage Initiative in Stoke on Trent, it took eighteen months before any of the funders identified that the project was subject to the State aid rules.³¹ The DTI admitted that it was “not doing enough” to explain the complications of the State aid rules to front-line staff.³² **We recommend that the Government provides more training about State aid to front-line staff. A full-time State aid expert should be appointed in each region. Within the Office of the Deputy Prime Minister there should be an information point which can give advice over the telephone or e-mail giving people instant answers.**

The Middleport Waterfront Townscape Heritage Initiative–Stoke on Trent

The Middleport Waterfront Initiative in Stoke-on-Trent is a heritage based regeneration initiative along the Trent and Mersey Canal. It is proposed that derelict buildings (in private and charitable ownership) along the canal would be refurbished to bring them back into use.

Stoke-on-Trent is in a Tier 2 Assisted Area. Under the Regional Aid Framework, the maximum total public sector investment in a project developed by a small or medium sized enterprise there is 25% of a project’s cost.

In the Middleport Waterfront Initiative, the refurbishment costs are high—a number of the buildings are listed—and property values in the area are very low. The Council described how this creates a significant funding ‘gap’ of up to 70-90% of the refurbishment cost for some buildings within the Initiative, making these projects unviable with public sector investment limited to 25% of the cost.

However, the council’s memorandum points to the special provision in the Treaty of Rome for culture and heritage projects and argues that for this and other reasons, its initiative should be treated differently.³³

The five ‘PIP replacement’ schemes

12. Following the closure of PIP, the Government notified five new physical regeneration schemes to the European Commission, for use by English Partnerships and the RDAs:

- speculative (end user unknown) gap funding;
- non-speculative (end user known) gap funding;
- direct development by the public sector;
- community regeneration; and
- environmental regeneration.³⁴

³⁰ Q71

³¹ ERF10

³² Q172

³³ ERF10 and Q66

³⁴ ERF17

13. Hilary Armstrong, then the Minister for Local Government and Regions, told our predecessor Committee that the new schemes were consistent with the Regional Aid Framework. As a result she thought that the Commission would approve them relatively quickly. She told the Committee in July 2000 that she expected them to be approved later that year.³⁵ In fact, the Government has clarified that the new schemes were notified to the Commission on 19 November 1999 and approved on 28 February 2001 (substantially longer than the two or three months that Lord Falconer suggested in his oral evidence to us).³⁶ This does not bode well for future approvals.

14. We have received very little evidence about the community and environmental regeneration schemes. We therefore consider the use and effectiveness of gap funding and direct development below.

Speculative and non-speculative gap funding

15. We have received much critical and no positive evidence about the speculative and non-speculative gap funding schemes. They appear to have been very little used. Lord Falconer could only mention two projects proposed under the new schemes:

- (i) a speculative development of business units for small and medium sized enterprises; and
- (ii) the non-speculative development of a former power station.

He told us, "I have asked my officials for details of schemes under the speculative and non-speculative one, and apart from the two un-named examples that plainly exist I have been given no examples of any such schemes."³⁷ The DTLR's written memorandum showed no forecast expenditure on gap funding by the RDAs in 2001/02.³⁸

16. Our evidence suggests that the new schemes have not been effective for two reasons:

- (i) the rules governing them makes them a weak replacement for PIP; and
- (ii) they have been poorly promoted.

The rules governing the schemes

17. Witnesses have identified a range of problems with the schemes:

- (i) support is largely confined to the Assisted Areas but the Assisted Area map does not correspond to urban regeneration needs;³⁹
- (ii) the schemes do not include support to housing projects or mixed use developments with over 50% housing content;⁴⁰
- (iii) the maximum intervention rates are too low;⁴¹

³⁵ Qq149-152, Sixteenth Report from the ETRA Committee, September 2000, HC714

³⁶ Q413

³⁷ Q463

³⁸ ERF17

³⁹ 65% of brownfield sites (as identified by the National Land Use Database) are located outside Assisted Areas, Q283

⁴⁰ The mixed-use St John's Urban Village project in Wolverhampton requires a level of gap funding which is within the Aid Intensity Ceiling yet cannot be supported as it has over 50% housing within it, ERF04(a)

⁴¹ The maximum intervention rates are shown under the heading 'Aid Intensity Ceilings' in the Glossary. Under PIP, the level of public funding was determined by the size of the 'gap' between costs and values. Under the new schemes, the maximum public investment is specified according to the size and location of the business. For example, under the rules, a medium sized enterprise in Stoke on Trent could receive up to 25% of the project's cost yet we heard how

- (iv) there is a tendency to mould projects to fit the funding programme rather than to develop what is best for the site;⁴²
- (v) inside and outside the Assisted Areas, additional support is given to smaller developers but there is no real reason for this favourable treatment,⁴³ and
- (vi) loan and rent guarantees are not permitted;⁴⁴

18. We heard from both a developer and an RDA that the omission of loan and rent guarantees from the new schemes was a failing.⁴⁵ DTI told us that it should be possible to support loan and rent guarantees within the State aid rules.⁴⁶ **We recommend that the Office of the Deputy Prime Minister seeks amendment to the ‘PIP replacement’ schemes to include loan and rent guarantees.**

Major leisure development—Barnsley

A private sector developer is currently attempting to undertake a major leisure development in Barnsley (which is in a Tier 1 Assisted Area),⁴⁷ including a cinema and restaurants. One of the objectives of the scheme is persuade the local population to spend leisure time and disposable income in the town, rather than travelling by car to the Don Valley in Sheffield.

The developer argues that the cost of the development exceeds its investment value. Under PIP, the public sector could have considered providing a loan or rental guarantee and we were told that if the RDA could guarantee the rent generated by the development for three or five years, this would go a long way to give confidence to a potential investor.⁴⁸ An advantage of loan and rental guarantees is that if the guarantee is not called upon, the public sector will have supported the project by providing confidence rather than grant support.

19. Some problems like this might have been avoided had the Department consulted practitioners before notifying the schemes to the Commission. We heard from both the Royal Institution of Chartered Surveyors (RICS) and the South West RDA that this did not happen.⁴⁹ **The Government must in future ensure that practitioners are consulted on the detail of any new regeneration schemes, prior to notification to the Commission.**

Information about the schemes

20. The problems have been made worse by the fact that some of the RDAs are choosing not to openly advertise the schemes and their funding criteria.⁵⁰ We heard from both developers and the surveyors who advise them how difficult it is to find out about the new schemes. Mel Burrell of St Paul’s Developments said,

property values in the area are so low that intervention rates of 70-90% are required, Qq66-67.

⁴² ERF15

⁴³ “This is again an unintended side effect,” Hugh Savill, DTI State aid Policy Unit, Q169

⁴⁴ Q354

⁴⁵ Qq37-39 and Q354

⁴⁶ Q167

⁴⁷ ERF11

⁴⁸ ERF21 and Qq37-39

⁴⁹ ERF15 and Q365

⁵⁰ Qq337-339

*“It is quite mystifying as to how to access such funds.”*⁵¹

Some RDAs, for example Yorkshire Forward, do not provide information because the Agency is not operating “reactive grant programmes.” They argue that making grants available to all potential applicants is inconsistent with strategic working.⁵² However, there is a concern that the RDAs are in fact only supporting the biggest projects, not necessarily those which will make the greatest difference to local communities. The Local Government Association identified a tendency amongst RDAs “to support regionally significant developments to the detriment of sites which, although not of regional significance, may be able to bring local benefits.”⁵³ We also heard that where RDAs are allowing developers to apply for funding, the application process is mired in bureaucracy, with projects having to prove their worth to layers of partnerships⁵⁴ and in accordance with numerous strategy documents.⁵⁵ **All Regional Development Agencies should advertise the gap funding schemes, setting out clearly their criteria for awarding grants.**

21. The RICS told us that there is no national guidance available to developers.⁵⁶ Gordon Hood of King Sturge said, “I deal with private sector clients and the only advice we have is the advice that has been given to the RDAs by DTLR. There is nothing else; there is no material at all for developers.”⁵⁷ Lord Falconer admitted that the Department’s guidance to the RDAs, “looked very complicated.”⁵⁸ He also told us that the guidance was available on the then DTLR’s website.⁵⁹ The Department’s supplementary memorandum states:

*“In our evidence we said that the Department’s guidance to RDAs and EP [English Partnerships] on the PIP replacement schemes are on the Department’s website. In fact, as this is internal guidance, it has not been placed on the DTLR website. It is open to RDAs to put their advice on using the schemes on their websites.”*⁶⁰

The Office of the Deputy Prime Minister and the Regional Development Agencies should place the guidance on the PIP replacement schemes on their websites now. The Office of the Deputy Prime Minister should also publish a plain English guide to the new schemes immediately.

⁵¹ Q25

⁵² Q337

⁵³ ERF13

⁵⁴ Q192

⁵⁵ ERF22

⁵⁶ Q192

⁵⁷ Q192

⁵⁸ Q418

⁵⁹ Q419

⁶⁰ ERF17(b)

St John's Urban Village–Wolverhampton

St John's Urban Village is a regenerative development in the centre of Wolverhampton. The private sector owner of one of the most strategically important sites within the Urban Village has proposed a mixed use development to create 100 residential units. This fits with one of the main objectives of the Urban Village, which is to bring residential uses back into the city centre. The residential market in the city centre is 'untested' but it is hoped that this project will increase confidence amongst potential investors.

Wolverhampton is an Assisted Area and public sector support of up to 30% of the cost of a commercial project is permitted (depending on the size of the developer).

We heard that the funding gap on this mixed use project is anticipated to be lower than 30% but it cannot receive any public sector support because over 50% of the scheme is residential. The developer argues that the scheme will not go ahead without this gap funding.⁶¹

Direct development

22. We heard from a number of witnesses that in the ideal situation, development agencies would have both gap funding and direct development powers available, with direct development used on the most difficult sites. Imelda Havers of St John's Urban Village, Wolverhampton said:

"In any of the projects and for any of the problems in the Urban Village, we are talking about a light touch to just level the playing field so that the private sector can come in and do the job they do best. They do it better than the public sector. They know what they are doing. They need to be allowed to get on with it. We are not talking about direct development, which is excellent in perhaps very contaminated sites and sites that will really not stack up any other way."⁶²

23. Unfortunately, as a result of the 1999 ruling, direct development is the only mechanism available to the RDAs and EP outside the Assisted Areas (unless the recipient is a small or medium sized enterprise). Our evidence identified a number of problems as a result:

- the loss of private sector expertise and understanding of the property market;⁶³
- the loss of private finance;⁶⁴
- a commensurate reduction in value for money—Advantage West Midlands estimate that direct development could be up to three times as expensive as PIP;⁶⁵
- increased risk to the public sector;⁶⁶ and
- a shortage of relevant skills in the public sector.⁶⁷

⁶¹ ERF04, ERF04(a) and Qq50-65

⁶² Q78

⁶³ Q285

⁶⁴ ERF02

⁶⁵ Q318

⁶⁶ ERF02

⁶⁷ Q332

24. RDAs face a conflict when deciding which sites to develop, as they are both developer and regeneration agency. Tom Bloxham of Urban Splash said:

*“I think there is a conflict and a very deep conflict in that Yorkshire Forward on the one hand see themselves as developers trying to make money. On the other hand, they are helping regeneration where the market has failed. Do they then decide to put their investment in the safe bet where the private sector go as well, in established locations, or do they put their money in the risky bet where it is very deprived and they may lose all their money but it may help with regeneration?”*⁶⁸

We received worrying evidence from the RICS that the RDAs were choosing the easy option and not observing the principle of “urban, brownfield first”⁶⁹ when identifying direct development sites. Chris Brown told us,

*“They are in my view more interested in schemes, for example, to develop work space on greenfield sites next to motorway junctions where they believe they will attract business than they are to do urban regeneration.”*⁷⁰

Lord Falconer told us that central Government does not give the RDAs specific guidance on the types of sites that should be given priority for direct development (beyond the general planning policies which apply to all developers).⁷¹ Although the RDAs told us that they do not promote greenfield development,⁷² we were disappointed that they do not record financial data in a way that allows expenditure on urban renaissance projects to be compared to expenditure on out of town developments.⁷³ **Regional Development Agency direct development must in future be undertaken according to the principle “urban, brownfield first.”**

25. The Government has recognised that undertaking direct development is more expensive than gap funding. As a result, it has made more funding available to the RDAs to cover the higher cost, “Significant extra resources were made available to the RDAs—£60 million in 2000/01, £150 million in 2001/02, thereafter land and property funding will form part of a new single RDA economic development and regeneration budget within increases of £350 million in 2002/03 and £500 million in 2003/04 compared with current budgets—to reflect the higher expenditure costs of these schemes.”⁷⁴ Lord Falconer told us that this money has not been ring fenced and that RDAs have flexibility as to how it is spent under the single budget.⁷⁵ **The Government should ensure that additional funding given to the Regional Development Agencies as a result of the higher cost of direct development should be spent on physical regeneration and not redirected to other purposes under the single budget.**

Organisations

26. The consultants’ report on Stage 1 of the EP review reported a confusion about the relative roles of English Partnerships and the RDAs.⁷⁶ This confusion has not yet been resolved

⁶⁸ Q29

⁶⁹ Government’s Response to the Transport, Local Government and the Regions Committee’s Report on Empty Homes, May 2002

⁷⁰ Q218

⁷¹ Q431

⁷² Q310

⁷³ ERF17(b)

⁷⁴ ERF17

⁷⁵ Q442

⁷⁶ Pages 6-7, DTLR, Quinquennial Review of English Partnerships, Outcome of Stage 1

and Lord Falconer admitted that it will take “some time to get to a point where the precise roles of the two are clear.”⁷⁷ **The outcome of Stage 2 of the English Partnerships review will only be considered to be successful if the relative roles of English Partnerships and the Regional Development Agencies are clearly defined.** Even more importantly some RDAs appear to take their responsibilities in achieving the urban renaissance less seriously than others⁷⁸ (echoing evidence received in our Empty Homes inquiry⁷⁹). **We were not reassured by Lord Falconer’s statement that the RDAs have “committed themselves to being just as committed to regeneration as they had ever been.”⁸⁰ Whoever is held to be responsible for brownfield redevelopment should pursue it with vigour.**

New schemes

27. The Office of the Deputy Prime Minister is now pursuing a ‘twin track’ approach to seeking approvals from the Commission to allow more public sector support to regeneration—first by working within existing European Frameworks and case law to notify new schemes to the Commission and second by negotiating a new regeneration Framework.⁸¹ **We welcome the Government’s new ‘twin track’ approach to dealing with the European Commission but are disappointed that it did not pursue this approach from January 2000.**

Housing

28. It seems bizarre that housing has been caught by rules intended to stop State aids to businesses⁸² as the end users are individuals.⁸³ **The DTLR clearly lacked any sense of urgency in dealing with the barriers to regeneration caused by the absence of a housing gap funding scheme.**⁸⁴ The UK Government finally notified a new housing gap funding scheme for England to the Commission in March 2002,⁸⁵ nine months after it was made aware of the need.⁸⁶ By contrast, the Scottish Executive notified a housing gap funding scheme to the Commission in July 2001.⁸⁷ It is clear that the Scottish Executive found a solution to this problem well in advance of the UK Government. **The Office of the Deputy Prime Minister and the devolved administrations should develop protocols to ensure that when schemes are notified to the Commission, they can be used by all parts of the United Kingdom. The Office of the Deputy Prime Minister must ensure that England does not lag further behind Wales and Scotland in regeneration initiatives.**

29. The Department consulted the RDAs, EP and the Government Offices for the Regions on the housing gap funding scheme before it was notified to the Commission⁸⁸ so we hope that practitioners do not identify any practical difficulties with it, when we next return to this subject. The notified scheme does not distinguish between greenfield and brownfield sites.⁸⁹ **Office of the Deputy Prime Minister guidance to those operating the housing schemes in the UK**

⁷⁷ Q533

⁷⁸ Qq208-210

⁷⁹ EMP28, Sixth Report from the Transport, Local Government and the Regions Committee, March 2002, HC240-II

⁸⁰ Q427

⁸¹ ERF17(a)

⁸² Q220

⁸³ EMP83, Sixth Report from the Transport, Local Government and the Regions Committee, March 2002, HC240-III

⁸⁴ Gordon Hood of King Sturge told us, “I have a number of residential schemes that are ready to go but cannot because of the existing rules.” Q223

⁸⁵ ERF17(a)

⁸⁶ Q222

⁸⁷ ERF17(b)

⁸⁸ ERF17(b)

⁸⁹ ERF17(c)

(once approved) must make it clear that regeneration funding should not be used to develop greenfield sites.

30. We were disappointed in the differences in approach to housing by the RDAs and their lack of enthusiasm when consulted by the DTLR on the need for a housing gap funding scheme in November 2001—“Three RDAs replied. SW RDA⁹⁰ were strongly in favour of a housing scheme. NWRDA⁹¹ and Yorkshire Forward did not believe that a housing gap funding scheme was required.”⁹² Despite significant housing market failure in the region,⁹³ Yorkshire Forward continues to argue that its strategic property agenda is focused on economic regeneration and it would only use housing gap funding where residential development is proposed as part of a mixed use scheme.⁹⁴ **It is imperative that all the Regional Development Agencies use the housing gap funding power once approved, wherever there is housing market need.**

31. During our Empty Homes Inquiry, we heard about the importance of housing gap funding in housing market renewal.⁹⁵ We also recommended that Government should establish a Housing Market Renewal Fund.⁹⁶ The Government has since announced a number of pathfinder Housing Market Renewal Areas⁹⁷ but has not yet assessed their State aid compliance.⁹⁸ **It is imperative that housing market renewal does not get caught by the State aid rules and the Office of the Deputy Prime Minister should make sure that Housing Market Renewal Areas are assessed for State aid compliance at a very early stage.**

32. The differences in approach to housing by the RDAs reinforces other evidence received during our inquiry into Empty Homes which found that there was insufficient co-ordination between Regional Housing Strategies, Regional Economic Strategies and Regional Planning Guidance.⁹⁹ The new Regional White Paper - *Your Region: Your Choice* recognises the need to increase co-ordination between these regional strategies.¹⁰⁰ We also received evidence that the five ‘PIP replacement’ schemes did not come with identified budgets.¹⁰¹ **It is essential that the Government identifies a ring-fenced budget for the housing gap funding scheme. The Office of the Deputy Prime Minister should direct the responsible agencies to advertise it openly and make the funding criteria clear.**

Derelict land and heritage

33. The ODPM is developing two new schemes to be notified to the Commission—derelict land and heritage.¹⁰² These new schemes rely on powers that have been available for some time—the Environmental Protection Framework (which came into force in February 2001)¹⁰³ and Article

⁹⁰ South West Regional Development Agency

⁹¹ North West Regional Development Agency

⁹² ERF17(c)

⁹³ Q245

⁹⁴ ERF16(e)

⁹⁵ Q484, Sixth Report from the Transport, Local Government and the Regions Committee, March 2002, HC240-iv

⁹⁶ Recommendation (dd), Sixth Report from the Transport, Local Government and the Regions Committee, March 2002, HC240-I

⁹⁷ Government’s Response to the Transport, Local Government and the Regions Committee’s Report on Empty Homes, May 2002

⁹⁸ Q482

⁹⁹ Paragraph 140, Sixth Report from the Transport, Local Government and the Regions Committee, March 2002, HC240-I

¹⁰⁰ Paragraph 2.2, *Your Region: Your Choice*, DTLR, May 2002

¹⁰¹ ERF02

¹⁰² ERF17(a)

¹⁰³ Page 17, European Community State Aids, Guidance for all Departments and Agencies, DTI, 2001

87 of the Treaty of Rome, under which Aid to provide culture and heritage conservation may be considered compatible with the common market where it does not adversely affect trading conditions.¹⁰⁴ **As with many other elements of its response to the European Commission's 1999 decision, it seems that the Government has been slow to act on derelict land and heritage.**

34. The Commission also approved a Framework which allowed Aid for Undertakings in Deprived Urban Areas in 1997. This approval has now come to end. The Framework established the principle of providing support to businesses in deprived, urban areas outside the Assisted Areas¹⁰⁵ although the Department told us that there were a number of limitations in its current form.¹⁰⁶ **We were pleased to hear that the Government will be talking to the Commission about whether a successor to the Deprived Urban Areas Framework could be agreed and recommend that it looks at its potential role in the work of Urban Regeneration Companies or other regeneration initiatives.**

Timing

35. **Lord Falconer told us that he hoped that the housing, derelict land and heritage schemes would be approved by the Commission by the end of October 2002.¹⁰⁷ We will monitor progress.**

Administration

36. We describe above the confusion caused by the 1999 decision. The introduction of the new schemes described in this section will increase the number of rules and regulations and will inevitably make life even more complicated for those seeking grants to develop their projects. The Government has so far given this whole area insufficient priority. Only 1.5 full time equivalent staff were working on the issue between January 2000 and February 2001.¹⁰⁸ We were pleased to hear proposals to allocate more staff—four in all—to this issue.¹⁰⁹ **However, we are concerned that a team of four people is not enough to undertake negotiations with Brussels, develop new schemes, undertake 'lateral thinking' to ensure that projects comply with the State aid rules, provide training and advice to front-line staff and give advice to potential applicants.**

A new regeneration Framework

37. Our evidence overwhelmingly identified the need for a new European regeneration Framework,

*"One which recognises the cost-value gap and the reasons for it and allows us to operate flexibly in support of projects ... and will therefore result in partnership working between the public and private sectors on a less restricted basis."*¹¹⁰

Lord Falconer described the activities that he envisaged would be covered by a new regeneration framework:

¹⁰⁴ ERF14

¹⁰⁵ Page 18, European Community State Aids, Guidance for all Departments and Agencies, DTI, 2001

¹⁰⁶ Q503

¹⁰⁷ Q542

¹⁰⁸ Q408

¹⁰⁹ Q410

¹¹⁰ ERF16

“The purpose of the Framework is, basically, to seek to draw a distinction between a scheme that is intended to be regenerative and one that helps a business and, therefore, should be State aid. The sorts of activities that one would like to see covered by the regeneration framework are things like housing, heritage regeneration, remediation of contaminated land, the building of both speculative and non-speculative premises for offices, both for SMEs and bigger organisations—the whole range of things that have been covered by PIP but on a different basis, namely a basis that accepts this is regenerative rather than something that affects trade between Member States.”¹¹¹

38. The UK is seeking to persuade its European partners of the benefits of such an approach. We heard that a number of European countries now recognise the role of the private sector in regeneration. Arlene McCarthy, MEP told us how the Netherlands, Belgium and the UK have been developing expertise in public/private partnerships and that “now other Member States are beginning to follow suit because they recognise that the pressure on public funding means that there needs to be a new approach to regeneration with the use of public/private sector funding.”¹¹² She also told us that other European countries, for example France, Germany and the Netherlands clearly understand the distinction between urban regeneration and Regional Aid.¹¹³ However, not all Member States have yet been convinced “there is not a 100 per cent view that we need to have reform in this area.”¹¹⁴

39. Although the UK Government needs to build a consensus amongst other countries, it is the European Commission which makes decisions on State aid issues. We continue to be appalled that the Commission has sole competence on State aid with no democratic scrutiny by the European Parliament and no need to refer to Member States.¹¹⁵

40. In our predecessor Committee’s inquiry into the Implications of the European Commission Ruling on Gap Funding Schemes for Urban Regeneration in England we heard about the differing views of the Commission’s Competition Directorate (which has responsibility for State aid) and its Regional Policy Directorate (which has responsibility for regeneration).¹¹⁶ Arlene McCarthy told us that this division persists:

“The Regional officials accepted the need to address market failure through PPPs [public/private partnerships] and viewed these schemes as playing an important regeneration role... Whilst the view from DG Regional Policy is supportive, the Competition Directorate does not see this as a priority. It is clear that there is a need for better co-ordination on State aids and regional policy within the Commission.”¹¹⁷

Rather than the sometimes innocuous generalities regularly traded at European Summits, Heads of State should address the issue of ‘joined up thinking’ in the Commission with specific reference to the conflict between the Regional Policy Directorate and Competition Directorate on regeneration funding issues. The UK Government needs to be proactive in pursuing UK interests in regeneration before Commission policies are formulated and in creating a consensus among our partners on the pressing need for changes in attitude.

¹¹¹ Q525

¹¹² Q370

¹¹³ See Glossary

¹¹⁴ Q394

¹¹⁵ Q388

¹¹⁶ Alliance for Regional Aid, Q88, Sixteenth Report from the ETRA Committee, September 2000, HC714

¹¹⁷ ERF28

41. Arlene McCarthy explained that there are three key issues within the European Commission which could influence the timing of a decision on a new European regeneration Framework:

- (i) the mid-term review of the European Structural Funds in 2003;
- (ii) the State aid reform process in 2004; and
- (iii) the next round of European Structural Funds which will run from 2006.¹¹⁸

Jeff West of English Heritage stressed the importance of 2006, when the area of the UK covered by Assisted Areas might be reduced:

“There is a particular issue that is concerning us which is that if this issue of limiting this sort of funding to Assisted Areas remains unchallenged, the UK and England in particular will face increasing difficulties after 2006 when the present regime for structural funding changes following enlargement [of the European Union]. If there are far fewer Assisted Areas in England after 2006, unless we can get the principle changed that we can operate these schemes outside Assisted Areas, there is going to be a very serious problem indeed in getting the matched funding that we need to make our grants work.”¹¹⁹

42. Lord Falconer was not able to give us a timetable for the agreement of a new regeneration Framework.¹²⁰ There are many people in the UK ready to undertake regeneration projects to restore confidence in and the physical environment of deprived urban and rural areas. For them it is very frustrating that there is no end in sight. **The Government has begun to press for a new European Framework for regeneration but we remain concerned about how long it will take before this is agreed. We recommend that our successor Committee sees the Minister again in six months time to hear how much progress has been made.**

43. We heard that co-ordination between UK Government departments needs to be improved.¹²¹ **Better co-ordination is needed between central Government departments. In addition, the United Kingdom Permanent Representation to the European Union will need to monitor the Commission to ensure that it is not delaying the approval of schemes unnecessarily and report back to Ministers and civil servants in the UK.**

Conclusion

44. The loss of PIP has been a disaster. At the start of this inquiry we heard that the five new physical regeneration schemes which the UK Government notified to the European Commission following the closure of PIP are inadequate. Some progress has since been made, as the Government has started to look at imaginative ways to develop new schemes that are consistent with State aid rules, including a new gap funding scheme for housing.

45. However two and a half years of urban regeneration activity and outputs will have been lost by the time that the new housing scheme is approved. This will be compounded by an overall loss of momentum and most importantly, a loss of private sector interest and willingness to take part in regeneration, with many developers closing their regeneration arms.¹²² We have also

¹¹⁸ Qq390-393

¹¹⁹ Q298

¹²⁰ Q542

¹²¹ ERF28

¹²² Q282

heard how the lack of gap funding means that even the most innovative developers are now less inclined to develop difficult sites.¹²³

46. The Government has also begun to press for a new European Framework for regeneration but we remain concerned about how long it will take before this is agreed. We recommend that our successor Committee sees the Minister again in six months time to hear how much progress has been made.

LIST OF RECOMMENDATIONS

- (a) **We look forward to the Office of the Deputy Prime Minister's full report on the wider effects of the 1999 decision on all regeneration programmes (paragraph 9).**
- (b) **The fact that the English Cities Fund, which attracts significant private investment into a regeneration investment vehicle, has been affected by the 1999 ruling is a particular disappointment. We recommend that the Government tries again to develop a new vehicle that fulfils the objectives of the Urban White Paper, within the State aid constraints (paragraph 10).**
- (c) **We recommend that the Government provides more training about State aid to front-line staff. A full-time State aid expert should be appointed in each region. Within the Office of the Deputy Prime Minister there should be an information point which can give advice over the telephone or e-mail giving people instant answers (paragraph 11).**
- (d) **We recommend that the Office of the Deputy Prime Minister seeks amendment to the 'PIP replacement' schemes to include loan and rent guarantees (paragraph 18).**
- (e) **The Government must in future ensure that practitioners are consulted on the detail of any new regeneration schemes, prior to notification to the Commission (paragraph 19).**
- (f) **All Regional Development Agencies should advertise the gap funding schemes, setting out clearly their criteria for awarding grants (paragraph 20).**
- (g) **The Office of the Deputy Prime Minister and the Regional Development Agencies should place the guidance on the PIP replacement schemes on their websites now. The Office of the Deputy Prime Minister should also publish a plain English guide to the new schemes immediately (paragraph 21).**
- (h) **Regional Development Agency direct development must in future be undertaken according to the principle "urban, brownfield first" (paragraph 24).**
- (i) **The Government should ensure that additional funding given to the Regional Development Agencies as a result of the higher cost of direct development should be spent on physical regeneration and not redirected to other purposes under the single budget (paragraph 25).**
- (j) **The outcome of Stage 2 of the English Partnerships review will only be considered to be successful if the relative roles of English Partnerships and the Regional Development Agencies are clearly defined. We were not reassured by Lord Falconer's statement that the RDAs have "committed themselves to being just as committed to regeneration as they had ever been." Whoever is held to be responsible for brownfield redevelopment should pursue it with vigour (paragraph 26).**
- (k) **We welcome the Government's new 'twin track' approach to dealing with the European Commission but are disappointed that it did not pursue this approach from January 2000 (paragraph 27).**

- (l) **The DTLR clearly lacked any sense of urgency in dealing with the barriers to regeneration caused by the absence of a housing gap funding scheme (paragraph 28).**
- (m) **The Office of the Deputy Prime Minister and the devolved administrations should develop protocols to ensure that when schemes are notified to the Commission, they can be used by all parts of the United Kingdom. The Office of the Deputy Prime Minister must ensure that England does not lag further behind Wales and Scotland in regeneration initiatives (paragraph 29).**
- (n) **Office of the Deputy Prime Minister guidance to those operating the housing schemes in the UK (once approved) must make it clear that regeneration funding should not be used to develop greenfield sites (paragraph 29).**
- (o) **It is imperative that all the Regional Development Agencies use the housing gap funding power once approved, wherever there is housing market need (paragraph 30).**
- (p) **It is imperative that housing market renewal does not get caught by the State aid rules and the Office of the Deputy Prime Minister should make sure that Housing Market Renewal Areas are assessed for State aid compliance at a very early stage (paragraph 31).**
- (q) **It is essential that the Government identifies a ring-fenced budget for the housing gap funding scheme. The Office of the Deputy Prime Minister should direct the responsible agencies to advertise it openly and make the funding criteria clear (paragraph 32).**
- (r) **As with many other elements of its response to the European Commission's 1999 decision, it seems that the Government has been slow to act on derelict land and heritage (paragraph 33).**
- (s) **We were pleased to hear that the Government will be talking to the Commission about whether a successor to the Deprived Urban Areas Framework could be agreed and recommend that it looks at its potential role in the work of Urban Regeneration Companies or other regeneration initiatives (paragraph 34).**
- (t) **Lord Falconer told us that he hoped that the housing, derelict land and heritage schemes would be approved by the Commission by the end of October 2002. We will monitor progress (paragraph 35).**
- (u) **We are concerned that a team of four people is not enough to undertake negotiations with Brussels, develop new schemes, undertake 'lateral thinking' to ensure that projects comply with the State aid rules, provide training and advice to front-line staff and give advice to potential applicants (paragraph 36).**
- (v) **Rather than the sometimes innocuous generalities regularly traded at European Summits, Heads of State should address the issue of 'joined up thinking' in the Commission with specific reference to the conflict between the Regional Policy Directorate and Competition Directorate on regeneration funding issues. The UK Government needs to be proactive in pursuing UK interests in regeneration**

before Commission policies are formulated and in creating a consensus among our partners on the pressing need for changes in attitude (paragraph 40).

- (w) The Government has begun to press for a new European Framework for regeneration but we remain concerned about how long it will take before this is agreed. We recommend that our successor Committee sees the Minister again in six months time to hear how much progress has been made (paragraph 42).**
- (x) Better co-ordination is needed between central Government departments. In addition, the United Kingdom Permanent Representation to the European Union will need to monitor the Commission to ensure that it is not delaying the approval of schemes unnecessarily and report back to Ministers and civil servants in the UK (paragraph 43).**

Annex

GLOSSARY

AID INTENSITY CEILINGS	<p>The maximum levels of aid from all sources that can be paid to a business as percentage of the total project cost in the Assisted Areas. They vary with the size of the enterprise.</p> <table border="1" data-bbox="549 488 1361 633"> <thead> <tr> <th></th> <th>Tier 1</th> <th>Tier 2</th> <th>Non-Assisted Area</th> </tr> </thead> <tbody> <tr> <td>Large</td> <td>35%</td> <td>10-20%</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>50%</td> <td>20-30%</td> <td>7.5%</td> </tr> <tr> <td>Small</td> <td>50%</td> <td>20-30%</td> <td>15%¹²⁴</td> </tr> </tbody> </table>		Tier 1	Tier 2	Non-Assisted Area	Large	35%	10-20%	0	Medium	50%	20-30%	7.5%	Small	50%	20-30%	15% ¹²⁴
	Tier 1	Tier 2	Non-Assisted Area														
Large	35%	10-20%	0														
Medium	50%	20-30%	7.5%														
Small	50%	20-30%	15% ¹²⁴														
ASSISTED AREAS	<p>“Assisted Areas are the areas in which the UK Government can provide regional assistance to business. EU rules do, however, permit other types of State aid (eg aid for small and medium sized enterprises) to be given to businesses outside Assisted Areas.”¹²⁵</p> <p>More information is provided in the House of Commons Library Standard Note on Assisted Areas, last updated on 17 August 2001</p>																
DE MINIMIS	<p>Aid not exceeding EUR 100,000 (approximately £60,000) over a three year period is exempted from the State aid regulations (excluding certain sectors).¹²⁶</p>																
DIRECT DEVELOPMENT	<p>Development carried out by the public sector or procured by it on competitive terms and which therefore does not involve State aid.</p>																
EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)	<p>ERDF “aims to improve economic prosperity and social inclusion by investing in projects to promote development and encourage the diversification of industry into other sectors in areas lagging behind. This fund is available in Objective 1 and 2 areas.”¹²⁷</p>																
EUROPEAN STRUCTURAL FUNDS	<p>“Structural Funds are the European Union's main instruments for supporting social and economic restructuring across the Union. They account for over a third of the European Union budget. The UK's allocation from the Structural Funds for the period 2000 - 2006 is over £10 billion.”¹²⁸</p>																
FRAMEWORK	<p>The Commission allows aid to certain sectors or for certain purposes. A Framework sets out the principles for such aid, in particular the type or level of aid that is likely to be considered acceptable and the type of schemes or projects that should be notified to the Commission.¹²⁹</p>																

¹²⁴ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹²⁵ Assisted Areas, Standard Note, House of Commons Library, 17 August 2001

¹²⁶ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹²⁷ www.dti.gov.uk/europe/structural.html#section1

¹²⁸ www.dti.gov.uk/europe/structural.html#section1

¹²⁹ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

GAP	The difference (gap) between the cost of the development and its value on completion.
HORIZONTAL FRAMEWORK	Horizontal frameworks are not intended to apply to particular industrial sectors, rather to achieve particular purposes, for example research and development or environmental protection. ¹³⁰
LARGE ENTERPRISE	<ul style="list-style-type: none"> • 250 employees or more; • annual turnover of over EUR 40 million or an annual balance sheet of over EUR27 million; or • more than 25% of the capital or voting rights owned by an enterprise which is not itself small or medium.¹³¹
MEDIUM ENTERPRISE	<ul style="list-style-type: none"> • 50 - 249 employees; • turnover of EUR 7 - 40 million or an annual balance sheet of EUR 5 - 27 million; and • not than 25% of the capital or voting rights owned by an enterprise which is not itself small or medium.¹³²
OBJECTIVE 1	“Eligible areas are those that have less than 75% of EU average GDP. In the UK areas that qualify are Merseyside, South Yorkshire, Cornwall and the Scilly Isles, and West Wales and the Valleys.” ¹³³
OBJECTIVE 2	“Areas qualify for Objective 2, under four strands - industrial, rural, urban and fisheries. This objective covers nearly fourteen million people in the UK.” ¹³⁴
REGIONAL AID	Horizontal aid Framework which permits aid, subject to the Aid Intensity Ceilings in the Assisted Areas. ¹³⁵
SMALL ENTERPRISE	<ul style="list-style-type: none"> • Less than 50 employees; • annual turnover not exceeding EUR 7 million or annual balance sheet not exceeding EUR 5 million; and • not than 25% of the capital or voting rights owned by an enterprise which is not itself small or medium.¹³⁶
SME	Small and medium sized enterprises. Subject to an exemption which allows aid to be paid outside Assisted Areas and to higher levels within Assisted Areas, subject to the Aid Intensity Ceilings.

¹³⁰ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹³¹ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹³² European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹³³ www.dti.gov.uk/europe/structural.html#section1

¹³⁴ www.dti.gov.uk/europe/structural.html#section1

¹³⁵ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹³⁶ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

STATE AID	<p>“Article 87(1) of the Treaty of Rome can be broken down into four tests to establish if a measure constitutes State aid. A State aid will only be present if all four tests are met.</p> <p>Is the measure granted by the State or through State resources?</p> <p>Does the measure favour certain undertakings or the production of certain goods?</p> <p>Does the measure distort or have the potential to distort competition?</p> <p>Is the activity tradable between Member States?”¹³⁷</p>
TIER 1 ASSISTED AREAS	<p>Assisted Areas with the highest Aid Intensity ceilings. Identical to the Objective 1 areas.¹³⁸ Also known as Article 87(3)(a) areas.¹³⁹</p>
TIER 2 ASSISTED AREAS	<p>Assisted Areas with lower Aid Intensity ceilings Not identical to the Objective 2 areas.¹⁴⁰ A list of wards with Tier 2 Assisted Area status is set out in the House of Commons library Standard Note on Assisted Areas, last updated on 17 August 2001. Also known as Article 87(3)(c) areas.¹⁴¹</p>

¹³⁷ www.dti.gov.uk/europe/stateaid/01.htm

¹³⁸ Assisted Areas, Standard Note, House of Commons Library, 17 August 2001

¹³⁹ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

¹⁴⁰ Assisted Areas, Standard Note, House of Commons Library, 17 August 2001

¹⁴¹ European Community State aids, Guidance for all Departments and Agencies, DTI, June 2001

PROCEEDINGS OF THE URBAN AFFAIRS SUB-COMMITTEE
RELATING TO THE REPORT

TUESDAY 25 JUNE 2002

Members present:

Andrew Bennett, in the Chair

Sir Paul Beresford
Clive Betts
Gwyneth Dunwoody
Louise Ellman

Oona King
Dr John Pugh
Christine Russell

The Sub-Committee deliberated.

Draft Report [*The Need for a New European Regeneration Framework*], proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 46 read and agreed to.

Annex read and agreed to.

Resolved, That the Report be the Third Report of the Sub-Committee to the Committee.

Ordered, That the Chairman do make the Report to the Committee.

[Adjourned till Tuesday 2 July at a quarter to Ten o'clock.]

PROCEEDINGS OF THE COMMITTEE
RELATING TO THE REPORT

WEDNESDAY 26 JUNE 2002

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Andrew Bennett	Chris Grayling
Mr Clive Betts	Miss Anne McIntosh
Mr Gregory Campbell	Mr Bill O'Brien
Mr Brian H Donohoe	Mr George Stevenson
Mrs Louise Ellman	

The Committee deliberated.

Report from the Urban Affairs Sub-Committee [*The Need for a New European Regeneration Framework*], brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 46 read and agreed to.

Annex agreed to.

Resolved, That the Report be the Twelfth Report of the Committee to the House.—(*The Chairman.*)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Urban Affairs Sub-Committee be reported to the House.

[Adjourned till Monday 1 July at half past Four o'clock.]

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UNPUBLISHED MEMORANDUM

The following memorandum has been reported to the House, but to save printing costs has not been printed and a copy has been placed in the House of Commons Library, where it may be inspected by Members. Other copies are in the Record Office, House of Lords, and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1 (telephone 020 7219 3074). Hours of inspection are from 9.30 a.m. to 5.00 p.m. on Monday to Fridays:

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