

‘New projects like the Excel Centre, the Channel Tunnel Rail Link and the City Airport are all useful, but they ought to be giving something back to local people. A tax could be paid by those businesses that directly benefit from these developments (hotels, cab firms, shops), say 1-2 per cent of their increased profits. This could be used to create a permanent flow of funding for community projects’

Greg, 41

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MATTHEW SMERDON

Britain's first Social Enterprise Zone provides an exciting model for the regeneration of our inner cities

In a book of visions, we begin with a view. From the roof of the Community Links building in Canning Town, you can see all sorts of impressive new developments going on in East London. You may see a gleaming new Jubilee Line train on its way to the Dome, via the recently completed, futuristic station at Canning Town. You may also see a passenger jet coming in to land at City Airport, which is itself just the other side of the docks from the construction site of London's largest new conference venue. Standing over all this is 1 Canada Square, the 50-storey show-piece tower at the heart of Canary Wharf, the Business Enterprise Zone which is one of the largest commercial property developments in Europe.

But look a bit closer, and you will realise that you are also looking out over part of one of the most extensive areas of urban deprivation in Europe. This area has experienced every state-sponsored regeneration initiative since the 1960s, from Urban Aid to City Challenge to Single Regeneration Budget. Yet, for all this, and for all the bright new stations and buildings, people still live here with the day-to-day implications of long-term and multiple forms of poverty, which touch every area of life: health, education, work, travel, leisure, communications, insurance and safety.

The statistics are revealing. In Newham, total spending by the public sector accounts for 65-75 per cent of the local economy (in more wealthy areas of the country the percentage would be nearer 40 per cent). Of this public sector money in Newham, 98 per cent is spent on mainstream maintenance programmes, such as the welfare and housing budgets, while only two per cent is dedicated to regeneration. One example of this glaring disparity between mainstream and regeneration expenditure is a new

regeneration project based in a group of neighbourhoods, to the north of the Community Links building, in Plaistow and West Ham. This group of neighbourhoods has recently been selected as a Pathfinder area for the New Deal for Communities initiative, which will bring in some £50 million over the next ten years. It sounds like a large amount of money. However, if benefit payments remain at their current level, 24 times that amount will be spent over the same period of time in this area on benefit payments alone.

The problem is that the public sector money which is flowing into Newham is being used to tackle the *symptoms* of deprivation rather than its *causes*. Clearly, the two per cent of the budget currently spent on regeneration is not enough. But what if we could harness the potential of the other 98 per cent more effectively? This is precisely what Community Links has been trying to do, with its pioneering work on the development of Social Enterprise Zones (SEZ). A pilot project is already underway in Newham, and funding has been secured to put this first national Zone in place.

The SEZ concept builds on the experience of the Business Enterprise Zones, introduced in the early 1980s, which tested how far industrial and commercial activity could be encouraged by removing certain fiscal burdens and removing, or streamlining, certain statutory or administrative controls. This flexible approach was successful in the business arena, so why not try it in the social one? Currently, statutory rules and procedures governing public sector spending can prevent existing mainstream resources from being used effectively. In a SEZ, a consortium of agencies and local people can seek licence to flex these rules wherever this will make a difference. The ultimate idea is that the partners in the consortium will sign a ten-year commitment to work together, not just in the management of fringe activities, but in radically reviewing and subsequently delivering mainstream programmes.

The SEZ process is composed of three stages, collected

together under a simple, catch-all term, **1⇒2⇒3**:

1 Mobilising local people, the public sector and private sector organisations

A SEZ is driven by a distinctive way of working, designed to be lean and catalytic, which is totally dependent on active community involvement. In these early stages of putting the SEZ into practice in our area, a multi-disciplinary team has already been brought together as the SEZ Development Group. This team is offering the SEZ strategic direction and advice, and forming the beginnings of a network that will take us to the heart of the community and the state. Being effective is not rocket science, but it does necessitate taking a new approach, which recognises that deprivation operates on many levels and cannot be effectively tackled by focusing exclusively on any single one of them. We need to work away from excuses for why things cannot be done, towards ideas of how they can.

2 Generating and gathering innovative ideas for changing rules and procedures to create flexibility in the way public sector resources are used

The SEZ is based on the fundamental premise that both the local community and the agencies delivering welfare services in the area have good ideas. As experience shows, but social policy rarely reflects, those people living and working with particular problems are the ones who know best how to solve them. It is important here to realise that the best ideas need not be complicated. In Newham a process called ‘What if...?’ is now underway, designed to gather ideas for change. Like the visions in this book, these ideas are intended to be positive statements of how things could be different rather than comments focusing on what is wrong.

Of course, there are many good ideas already up and running all over the country and beyond. People from Liverpool, South Wales,

Glasgow, Brighton, Newcastle and other London boroughs, as well as the USA, have been in touch with us to offer examples of initiatives which are working in their areas and could work even better given the **1⇒2⇒3** opportunity.

3 Ensuring effective mechanisms are in place to develop, test and share these ideas

Some progress can be made at the local level, on a voluntary basis, by public agencies simply deciding to work together. However, freedom to think and act strategically and creatively requires the active encouragement and support of individuals throughout government, the civil service and public sector agencies. In so doing, the principle that the state and its machinery are forces for progress is reaffirmed, for if state machinery has put rules and procedures in place, it can also be the vehicle to remove them.

The public sector needs to feel safe with SEZ initiatives, and some careful work will have to be done to develop appropriate frameworks of accountability. That said, if rules and procedures are not changed, it is legitimate to ask why not, who is in control and for whose benefit? Partner organisations can expect to achieve savings if they work together to meet the aims of the SEZ, even though they will be providing a service as good as, or better than, the current one. Savings of public expenditure arising from the SEZ process should be made available for reinvestment within the SEZ during its lifetime.

At the heart of **1⇒2⇒3** is an effort to redefine how the state manages its resources in response to local communities, calling for changes in rules and procedures which do not work. In so doing, **1⇒2⇒3** seeks to bring regeneration on to the mainstream agenda of public sector services. Employment/Health/Education Action Zones, Single Regeneration Budget, New Deal for Communities, etc, can stack up on one another and risk perpetuating a

regeneration strategy that just tinkers at the margins. Through its detailed and sustained questioning of the rules and procedures which govern the way state policy on social and economic progress is applied, a SEZ seeks to reassert the principle that the state should be judged by the extent to which it serves the needs of *all* its people.

People increasingly talk of the need to be risk-taking. Yet it need not always be as dramatic as this. A SEZ will use existing resources, it will just use them better. The SEZ vision calls for a welfare state which is a genuine ladder out of poverty, where welfare payments do not just keep people on lower rungs, but instead act as a vehicle for them to climb up and out of poverty for good. No one is suggesting that any public, private or voluntary sector body has ever set out to *create* poverty; the idea behind the SEZ is simply to change the rules and procedures which sometimes have that effect.

We are very excited about the prospects for the SEZ pilot in Newham, and would welcome your input, ideas and support. We picture a society that enables every individual to fulfil their potential. Achieving this? It's as easy as **1⇒2⇒3**.

Matthew Smerdon is a research and development worker at Community Links. The other members of the SEZ Development Group are **Frances Clarke** (Community Links), **Greg Clarke** (Greater London Enterprise Ltd), **Mavis Fernandes** (Community Links), **Donald Hirsch** (Joseph Rowntree Foundation), **Stephen Jacobs** (Stratford Development Partnership), **George Leahy** (East London and City Health Authority), **John Low**, (Joseph Rowntree Foundation), **Richard Reeves** (*The Observer*), **Charles Richardson** (3 i), **David Robinson** (Community Links), **Matthew Taylor** (Institute for Public Policy Research), **Katharine Woods** (London Borough of Newham), **Ian Woolford** (New Deal for Communities)



Cartoon by Steve Bell