



The Constitution Unit



# Nations and Regions: The Dynamics of Devolution

Quarterly Monitoring Programme

## The English Regions

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# Monitoring the English Regions

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## **Key points**

The regional issue has moved sharply up the political agenda in the last three months — demonstrated in an important intervention to the debate by the Chancellor Gordon Brown.

Efforts are underway to enact the 'single pot' funding arrangements outlined in Spending Review 2000, but these have not been without tensions between RDA chairs and the DETR.

The DTI/DfEE White Paper on Enterprise, published on 13<sup>th</sup> February, gave a prominent place to the regions as a theatre of enterprise policy and to Regional Development Agencies as an instrument of the government's ambitions.

Divisions appear to be emerging among Conservatives over attitudes to regionalism, with some local government leaders — even in the South — apparently beginning to develop a taste for regionalism.

## **1 Introduction: towards a Britain of nations and regions?**

In barely three months, the case for a meaningful transfer of power from Whitehall to the eight English regions, and for a degree of regional governance to eventually overlay new administrative structures, appears to have moved from the political sidelines of the Government's second-term agenda. The English question is now exercising the senior ministerial minds in a way few could have predicted at the turn of the year. In our November 2000 report, we noted that the Deputy Prime Minister, John Prescott, appeared at times to be a lone voice in the Cabinet calling for a form of English devolution to match the transfer of power to Scotland and Wales. No longer.

Ministers now seem stressing their regional credentials and acknowledging that, whatever previous interpretation may have been put on Government policy, they now recognise that greater efforts must be made to bridge regional disparities. Not that long ago old-style regionalism, with its recognition of north-south inequalities — and a commitment to a degree of intervention to bridge the regional divide — was a policy that dare not speak its name in Government. Indeed in a widely reported speech at the end of 1999, the Prime Minister appeared to reject the idea completely. Downing Street viewed talk of regional inequalities as an over-simplification and a dangerous spur to a debate it wanted quashed. Now that has changed with senior ministers, first the Trade and Industry Secretary Stephen Byers and most notably the Chancellor Gordon Brown, adopting the Prescott agenda. Mr Byers talked of a “winners circle” emerging in the south, with other regions “slipping further behind.” Mr Brown took the debate onto a more philosophical plain connecting it to broader constitutional questions, with remarks interpreted as a thinly veiled hint in favour of regional government.

While Tony Blair has appeared equivocal on the issue it is clear that the Government has moved ground substantially in the space of a few months. Previously sceptical ministers (such as the Education and Employment Secretary, David Blunkett, and the Local Government and Regions Minister, Hilary Armstrong) have lined up alongside Prescott although — as we reveal — great efforts have recently been made by ministers from opposite ends of the spectrum to present a united front.

Several issues have clearly concentrated political minds: a growing sense of concern over the Scottish Parliament's diverging policies, particularly in education, health and welfare, especially in the north east of England; a view throughout the wider north that the growing wealth of the south east has failed to trickle down to the less favoured parts of England and — crucially — a feeling among Labour's restless ‘core’ voters that little has changed in four years as the growth in employment grinds to a halt and job losses mount in traditional industries.

Whatever the exact reason, much of the Labour hierarchy — fighting so hard to keep the lid on the regional debate until recently — now accepts

that the party will have to move faster than anticipated to answer the English question. Those closest to John Prescott are continuing to push for enabling legislation for a Referendum Bill and the publication of White paper on Regional Assemblies early in the new parliament. The terrain ahead is by no means clear, however, with the future role of John Prescott in a new government and that of his sprawling Department of the Environment, Transport and the Regions (DETR) subject to wide speculation. And, although other senior ministers have recently joined fray, the future of English regionalism is still very much associated with Deputy PM.

The intensifying constitutional debate has been underpinned by a big increase in the budgets for the eight Regional Development Agencies (RDAs) along with a commitment from ministers for greater flexibility on how they spend the extra funds, which from April 2003 will be distributed from a 'single pot' rather than from two main departments. But developing the theme of our previous report, there appears to be growing frustration and, in some cases, plain anger — significantly among ministers as well as among RDA chairmen — over Whitehall hostility (a description used several times in interviews with leading players) and inflexibility in giving the agencies the freedom they say they need. One minister told us of 'hostility' in Whitehall towards the regional agenda with senior civil servants 'unpicking' political decisions to create the single pot. Differences of opinion have emerged in discussions between the eight RDA chairmen and senior officials at the DETR.

Significantly, criticism of Whitehall transcends party political loyalties with RDA chairmen and Conservative board members uniting with Labour colleagues to criticise what they see as an over-arching centralising tendency. Clear divisions are emerging in the Conservative camp; William Hague may have committed the party to abolishing the RDAs, and the increasingly influential regional chambers (now re-branded 'assemblies') but at least one senior Tory, who chairs the South East Assembly, has publicly distanced himself from the leadership's line. He said it would be difficult to 'put the genie (of regionalism) back in the bottle'. Others share this view — leading some to question whether the Shadow Secretary of State for the Environment, Transport and the Regions, Archie Norman, can hold the line much longer.

## **2 Regional Structures**

Although the Chancellor's speech was a surprise to many observers, it had been prefigured in a number of statements made by his close aides in the preceding weeks. In particular, both the Chancellor's Chief Economic Advisor, Ed Balls, and his Parliamentary Private Secretary, John Healey MP, contributed essays to a pamphlet published at a seminar sponsored by the John Smith Institute and held at 11 Downing Street in December 2000

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(Balls and Healey, 2000; see also Balls and Healey, 2001)<sup>1</sup>. Within these contributions the regions can be said to be moving from the margins toward the centre of Labour's economic policy.

Balls outlined what he described as a new approach to regional policy:

Our new regional policy is based on two principles — it aims to strengthen the essential building blocks of growth — innovation, skills the development of enterprise — by exploiting the indigenous strengths in each region and city. And it is bottom-up not top-down, with national government enabling powerful regional and local initiatives to work by providing the necessary flexibility and resources (Balls, 2000, p12-13).

This new approach of promoting regional initiative raises questions of accountability:

[...] the new resources and flexibilities for RDAs will require greater regional and local accountability and public scrutiny — to ensure the regional strategies are responding to the need's and helping to ensure that decisions of RDA boards are consistent with regional and local strategies (Balls, 2000, p15).

Balls emphasises the importance of local strategic partnerships (LSPs) as a complement to the activities of the RDAs, noting that the government will pilot local Public Service Agreements with 20 local authorities, which will cover economic development and regeneration as well as public services (see section 8 below).

In the same pamphlet John Healey outlines the 'Second term challenges' facing Labour, which he describes as twofold. First, RDAs need to move from strategy making to delivery. He calls on RDAs to conduct 'RES [Regional Economic Strategies] compliance audits' to ensure that all regional agencies are responding to the priorities laid down in the RES. Second, he calls on central government to bring regional planning powers into 'closer alignment' with regional economic strategies<sup>2</sup>.

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<sup>1</sup> Similar themes to those raised by Ed Balls and later Gordon Brown were explored in a report for the Regional Policy Forum published in December 2000 (see Marquand and Tomaney, 2000). Previously we reported on Richard Caborn's speech in York which represented the first clarion call in the battle that led to Gordon Brown's intervention (Caborn, 2000; see Tomaney and Hetherington, 2000 for a discussion). In addition UNISON recently published a discussion paper that covered similar ground (UNISON, 2000)

<sup>2</sup> This point echoes one made previously by the Select Committee on Environment, Transport and the Regions which raised the question of which of these strategies takes precedence for planning purposes (House of Commons, 1999). Regional Planning Guidance (RPG) sets out the land-use planning framework of a region and is prepared by the Regional Planning Conference, while the RES is concerned with economic development and social exclusion and is the responsibility of the RDA. The Committee (and most of its witnesses) took the view that RPG should take precedence. The

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Gordon Brown's speech rehearsed the themes set out in the Smith Institute pamphlet (Brown, 2001). The speech is noteworthy, in part, for the fulsome praise it heaps upon John Prescott for pioneering RDAs. In his speech Mr Brown placed regional initiatives at the heart of Government's economic policy:

[...] we are entering a third generation of regional policies inaugurated by Stephen Byers, David Blunkett and John Prescott, where we concentrate on indigenous measures - strengthening, within the regions, the essential building blocks of self generating growth. And on tackling the imbalances that prevent economic strength: first, bridging the investment and enterprise gap; second, bridging the skills gap; third, bridging the technology gap, including support for e-commerce; fourth, bridging the employment gap.

Our reforms show that we are entering an era in which national government, instead of directing, enables powerful regional and local initiatives to work, where Britain becomes as it should be - *a Britain of nations and regions* where there are many and not just one centre of initiative and energy for our country (emphasis added).

The Chancellor's thoughts on the question of accountability echoed those previously outlined by Ed Balls:

[...] As we expand regional institutions — regional government offices, regional development agencies — so too we must expand regional accountability. John Prescott and I believe that in the consideration of new and better regional systems of accountability we need a greater role for both the House of Commons and the regional chambers.

I hope that the regional chambers established in every region will hold annual hearings to examine the RDAs' annual reports and review progress against their published strategies - and report back on their findings. We should ensure they have the resources to meet this duty.

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government preferred not to give a view on which took precedence, although the Committee regarded this as a recipe for conflict:

Conflict was most likely to arise, we were told, as a result of the different priorities of the two strategies, particularly in relation to the relative weight given to regional competitiveness and to sustainability: for example where an RDA proposes the development of a greenfield site which is contrary to RPG. There were concerns that without formal mechanisms to resolve such conflicts, the RDA strategies could 'destabilise or undermine' RPG (House of Commons, 1999, para 16).

The Committee also noted the RPG covers a 15-20 year period (compared with the 5-10 year period of RESs) and that, in most regions, RPG would only be completed after RESs. This raised the concern 'that RDA strategies start life within an outdated planning and transport policy context' (House of Commons 1999: para 21).



[...] By extending the scope for region by region initiatives and by complementing these with greater accountability at a regional level and through the select committee system in the Commons, we are proving our ability to ensure that regionally set objectives are met.

Especially significant, perhaps, is the fact that Mr Brown connected his approach to a wider set of constitutional concerns:

[...] We are moving away from the old Britain of subjects where people had to look upwards to a Whitehall bureaucracy for their solutions — to a Britain of citizens where region to region, locality to locality we are ourselves in charge and where it is up to us.

Although Mr Brown stopped short of raising the issue of directly elected assemblies, the press coverage of the speech — which was clearly heavily spun — suggested it was the first step to the Chancellor's endorsement of an idea hitherto associated with John Prescott. A report in the *London Evening Standard* (29<sup>th</sup> January 2001) noted that the content of the Chancellor's remarks had little or no connection with his Treasury responsibilities:

Instead, it outlined plans to increase the accountability of regional development agencies as *a first step toward elected assemblies* for the English regions. The policy has its keenest supporter in Deputy Prime Minister John Prescott, into whose turf it falls. There is little suggestion, however, of Mr Brown's choice of subject sparking protests from Prescott. Instead there were claims that the two men are forging new links with polling day rapidly approaching (emphasis added).

The *Financial Times* (29<sup>th</sup> January 2001) also claimed that talk of increased accountability of RDAs was '*an interim measure before elected assemblies are created in English regions*'. The *Guardian* noted that John Prescott would not disagree with calls from the cross-party Campaign for the English Regions for ministers to 'create the conditions in which elected assemblies will be in place by consent over the next five years'. It added: "While this (time scale) might appear over-optimistic, as Gordon Brown showed...it is no longer a pipe dream' (Hetherington, 2001).

Further evidence of the rising importance of the regional agenda was a speech by the Education Secretary, David Blunkett to the Smith Institute in Wakefield. This represented a rare intervention into the territory of regional policy by Mr Blunkett. In his speech he identified two obstacles to regional development; first, the proliferation of bureaucracy as a result of too many strategies and; second, too much intra-regional rivalry. He argued though that a key issue was to devolve power away from Whitehall:

I want to move away from regional development being a matter only for a professional 'in-crowd' and to put power in

the hands of local people. Of course part of that must involve central government – including my own Department for Education and Employment – knowing when to let go. The second challenge is to overcome historical rivalries and antagonisms. We need to get cities and districts, the various agencies, universities and colleges to bury the hatchet and work together. Here in Yorkshire we need to unite all our teaching, research and economic potential. If communities in Scotland, Northern Ireland and other parts of Europe can come together to provide a clear identity and focus for growth in the knowledge economy, so too can those areas in the North of England which served as the powerhouses for the last Industrial Revolution (DfEE Press Notice, 2001/0057)<sup>3</sup>.

Although generally judged to be a further call for stronger regional policy. '[a]ides however said that Mr Blunkett remained sceptical about the prospect of a move to elected regional government in spite of growing indications that other senior ministers were coming round to the idea' (*Financial Times*, 3/4<sup>th</sup> February, 2001).

Taken together, these developments suggest that governance of the English regions may be a more important issue in the coming period than seemed likely only a few months ago. However, the precise status of the issue in the government's priorities remains contested. A senior cabinet minister opposed to elected assemblies was quoted as saying that pro-regional government ministers were 'kidding themselves' if they thought Tony Blair would make a firm commitment to referendums (*Financial Times*; Feb 2, 2001).

The Prime Minister offered a dead bat to a delivery from Jim Cousins, MP at Prime Minister's Questions on 14<sup>th</sup> February:

Q7. [148801] Mr. Jim Cousins (Newcastle upon Tyne, Central): On Monday, the Prime Minister rightly set out the need to improve educational opportunity. Nowhere is that need greater than in the north-east of England, as he well knows. Will he promise the people of the north-east of England an early opportunity to decide for themselves whether they, like the Scots, want a political voice to tackle their deep-seated problems for themselves, rather than just being the victims of them?

The Prime Minister: As I have said before, that is a matter for local people to decide. I understand the case for a regional assembly. The advent of the regional development agencies has been immensely important in the north-east and other areas. In our region, they have safeguarded some 11,000 jobs

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<sup>3</sup> See: 'Cut the waffle and squabble' – Blunkett's challenge to regions', [http://www.dfee.gov.uk/pns/DisplayPN.cgi?pn\\_id=2001\\_0057](http://www.dfee.gov.uk/pns/DisplayPN.cgi?pn_id=2001_0057)

and brought in a great deal of inward investment. That is why I believe that it is so important that we keep the regional development agencies and build them up, rather than abolishing them as the Conservative party has suggested. Hansard 14 Feb 2001: Cols 313-312.

Despite the rapid movement of the last few months the regionalists would appear to still have a battle ahead.

## **2.1 Government Offices**

We reported in November 2000 (Tomaney and Hetherington, 2000) that the government proposed to strengthen Government Offices (GOs) in the regions as part of its desire to 'join-up' its policies. The key date for the new arrangements is 1<sup>st</sup> April 2001. By that time staff will have moved (officially) from departments such as the Home Office, Ministry of Agriculture and Department of Culture, Media and Sport. Shadow arrangements are already in place in most regions. By that date arrangements for linking up the activities of departments with the GOs will also be in place.

The Regional Co-ordination Unit (RCU) will also officially operate from 1 April 2001. Between now and then the RCU will undertake work on the implementation of the Performance and Innovation Unit report recommendations on improving regional governance and continue to support the operations of the GOs (See Tomaney 2000, for an account and analysis of this initiative). The RCU is conducting a number of reviews of the finance, pay and personnel arrangements for the GOs as part of the report implementation. The RCU has launched a website, which currently provides only basic information on its activities<sup>4</sup>.

Our forthcoming May 2001 report will give a preliminary account of the operation of the new arrangements.

## **2.2 Regional Development Agencies**

In our November 2000 report we noted the new financial flexibilities offered to RDAs as a result of Spending Review 2000. A set of transition arrangements has been introduced to take effect from 1<sup>st</sup> April 2001. These are in advance of the creation of the 'single pot' system of funding of RDAs. The transitional arrangements will allow RDAs to transfer 20 per cent of any programme, a doubling of their current flexibilities (e.g. Balls 2000).

While the transitional arrangements allow greater scope for virement between budget heads, work has begun in earnest on the details of the Single Programme that begins in April 2003. RDAs are engaged with

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<sup>4</sup> <http://www.rcu.gov.uk>.

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Government officials through the sub-groups on various topics and by regular contacts at Chief Executive level in order to establish the parameters of the 'single pot' regime.

The areas of work which are currently being covered comprise:

- Cash allocations between RDAs
- Developing a common appraisal system
- Output and outcome targets, and how these might affect future budgets
- Public expenditure and Ministerial accountability
- The definition and control of administration
- The future of Corporate or Business Plans
- State Aids and clearance with the European Commission
- The role of Government Offices
- Revisions to key documents such as the Financial Memorandum

Easter 2001 has been fixed as an interim deadline for progress in each of these areas, though the final deadline for all details on every aspect to be agreed is some way beyond that. The DETR's target remains that of issuing Corporate Plan guidance complete with full details of allocations, definition and targets by July 2001.

But it is clear that disagreements have broken out between the RDA chairmen and senior civil servants at the DETR over how the 'single pot' should be applied. To some extent, the argument is predictable. Whitehall stresses its role as the guardian of the public purse, responsible to ministers who are themselves accountable to parliament. But there appears to be a wider problem, with some senior officials finding it difficult to operate in a cross-departmental culture — what one RDA chairman described as 'counter cultural' to the civil service ethos.

Matters came to a head in January when Sir Richard Mottram, permanent secretary at the DETR, apparently made clear that his department would still have to exercise considerable control over the agencies' budgets. The chairmen were left deeply uneasy. 'We sent him away with a flea in his ear', said one. Another said: 'The attitude seems to be "we, the civil servants, know how these things are done (because) we've been doing it for so long". We were arguing for changes and for people appreciating we were serious players. But as soon as suggestions about the 'single pot' were made the attitude was "well, it's going to be difficult and it's going to take a long time" and we said "no, with a fair wind, it can easily be implemented by this April — but, of course, it hasn't been because everyone took the view it couldn't be".'

At a subsequent meeting, some accommodation was reached with a 'memorandum of understanding' between both sides apparently due to be published shortly. A third RDA chairman said: 'The concept of the "single pot" is so counter-cultural (to the civil service) and the accountability mechanisms, the command and control nature of Whitehall, that it makes it a quite difficult thing to get through...they find it incredibly difficult to deal with things across more than one department. Part of the argument for why you have to have RDAs is because you cannot control things

from a distance and have to be on the ground where things really happen. There is a real issue here about the modernisation of Whitehall and I have to say the jury is out at present'.

Some ministers cannot disguise their frustration. They speak of a Whitehall establishment attempting to undermine the emerging regional strategy at almost every opportunity. 'There are two schools of thought', said one. 'Those who see the regional agenda evolving, who think it is right and from their own self-interest point of view can see a career structure in the regions; then there is the more conservative school that rather likes the power at the centre and when you start devolving real power they start getting concerned. They were prepared to go along with it to the degree that you can always turn it back at the end of the administration some time in the future (but) when you start devolving real power, like Gordon Brown is doing with the (RDA) budgets, they don't like the 'single pot' because they can't control it and that's where the power relationship starts coming in. They will tolerate certain things but when you start taking real power out...two things concern them —devolving financial control and devolving sovereignty to the regions'.

The pace of the debate is increasing to such an extent that some see it developing a momentum of its own; the very mention of devolving 'sovereignty' would have been taboo until recently, even among supporters of the regional agenda. But it is now clear that pressures from increasingly assertive administrations in Edinburgh and — to a lesser extent — Cardiff are raising the stakes in England. 'There is much wider influence on the regional agenda, particularly after devolution to Scotland and Wales, than there was before,' added the minister, 'There are real tensions about power, control and relationships'. (The 'demonstration effect' of Cardiff and Edinburgh was also raised in debate in Westminster Hall in early 2001. See section 3 below).

One RDA chair went so far as to commit some fairly strong words to print. In his contribution to Balls and Healey (2000), the chair of Yorkshire Forward, welcomed the increase in resources for RDAs made in Spending Review 2000. He goes on to present ministers with a series of new challenges that reflect the concerns of other RDA chairs.

Firstly, the concept of the 'single pot' must be made a reality. This concept is so counter-cultural to the way Parliament votes money, the accountability mechanisms and the 'command and control' nature of large parts of Whitehall that it is not as simple as it first seems. This must consist of a clear corporate planning process, whereby the Government 'buys' a single set of outcomes — one Public Service Agreement — from RDAs, and sensible monitoring of review arrangements. It must not consist of separate corporate plans, prescriptive guidance, an excessive degree of details in planning and reporting, mid year initiatives involving RDA bidding and outputs so specific as to make any flexibility mythical. This is our biggest current challenge for Ministers.

The financial accountability arrangements should be changed to reflect the devolution of responsibility to RDAs. RDA Chief Executives should take sole responsibility as Accounting Officers and Departmental Permanent Secretaries should lose their dual responsibility. This will help to relax the present 'control' culture of the Civil Service. A more fundamental review of the Civil Service may be also needed in the medium term (Hall, 2000: 27).

In our November 2000 report we drew attention to a speech by Stephen Byers which argued that 'the economic differences between UK regions are clear and indicate that a winners circle is emerging, with some regions keeping up and staying in touch while others slip further behind. He called for action to 'widen the winner's circle' (DTI Press Release, P/2000/761, 15 November 2000). This statement was widely interpreted as a reversal of Tony Blair's alleged rejection of the existence of the North/South divide in late 1999 (e.g. *Financial Times*, 15<sup>th</sup> November, 2000). In subsequent weeks Mr Byers has elaborated upon these themes. Indeed, over the past few months, it has been Mr Byers, and the DTI, which has been taking the lead on regional policy by arguing for a much more pro-active agenda to bridge the north-south divide — or, more accurately, the divide between London, the south east, the eastern region, parts of the south west, and the rest of England. Some key insiders, including ministers, believe this might well lead to the DTI, rather than the DETR, becoming the main sponsoring ministry for RDAs after the election, with the DETR retaining overall responsibility for regional chambers, or assemblies (e.g. *Financial Times*, 6<sup>th</sup> December 2000).

In a speech in late November 2000 Mr Byers drew attention to the 'digital divide' between the regions and outlined measures to tackle it. Among the indicators he highlighted were:

- VAT registration figures for 1999, taken to reflect the level of new business start-ups, show serious disparities across the country.
- the DTI's own International Benchmarking Study 2000, which showed wide regional variations in the percentage of businesses trading on-line
- the Benchmarking Study, which also showed regional discrepancies in the use of websites for marketing.

Speaking at a LGA Conference Mr Byers said:

It is clear that there are wide variations in both the number of new businesses being registered in different parts of the UK, and in the ability of existing business to make the most of the opportunities e-commerce has to offer.

Encouraging regional enterprise and e-business are government priorities and we are already taking action. Earlier this year we announced the recruitment of 100 extra advisors to help businesses across the country get on-line, and the

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establishment of 'internet incubator' projects in a number of regions, which will provide new e-businesses with back up and support.

In addition we will [be] shortly announcing a series of grants to individual projects to boost e-enterprise in deprived areas.

Action is needed at a local level to encourage new businesses to grow and to help existing and traditional industries in all of our regions to adapt to the new global Internet economy. The UK simply cannot afford to allow the development of a 'digital divide' (DTI News Release, P/2000/778, 21 November 2000).

Subsequently, Mr Byers announced a further initiative in the form of a Regional Innovation Fund (RIF). The RIF brings together £15 million in new funding, as well as £35 million announced in last year's budget and £4 million from the DTI's Competitiveness Development Fund. It will provide a total of £54 million in 2001/2 to promote innovation and enterprise, and to support clusters and networks of businesses in their areas. The Fund is intended to complement other Government investment and support for industry, including Regional Selective Assistance and tax credits encouraging research and development spending. Particularly significant is the fact that RIF funding has been allocated on the basis of each region's economic position, taking into account a region's GDP per capita, research and development spending, and unemployment rates. Previously DTI money has been allocated on a flat rate across all 9 RDAs. Regions undergoing manufacturing restructuring are intended especially to benefit from the new fund, although every region of England will see an increase reflecting the Government's commitment to helping businesses in flourishing regions.

*DTI support through RIF for the Development Agencies for 2001-2*

<b>Region</b>	<b>RIF 2001/2 (£m)</b>
North East	8.9
North West	7.4
Yorkshire	10.0
East Midlands	4.3
West Midlands	6.3
East of England	3.5
London	5.8
South East	3.2
South West	4.7

Source: 'Byers announces details of multi-million pound boost to 'widen winners circle', DTI Press release, P/2001/39, 23 January 2001.

#### The announcement b

The announcement made by Mr Byers was made in a speech to an AEEU conference at which he stated:

The Government is determined to tackle the economic inequalities which exist both within and between different regions. The Regional Innovation Fund will target support where it matters most, both within the less successful parts of relatively prosperous areas like London, and on a wider regional basis in areas such as Yorkshire and Humberside, the North East, North West, and the West Midlands.

The announcement caused some tension among RDA chairs, with those in South expressing concern that the new DTI approach could discriminate against faster growing regions. The views were conveyed at a meeting of RDA chairs, but to date have not been made public. If the 'new regional policy' outlined by ministers in recent weeks takes a fuller shape after the next election, these strains may become greater. They raise the prospect of the lid being raised on larger financial scale issues in the near future (see Section 9).

The theme of 'widening the winner's circle' was also raised by Mr Byers at the launch of the government's new White Paper on 'enterprise, skills and innovation' which was published on 13<sup>th</sup> February (DTI, 2001). The White Paper gives a central role to the regions in general, and RDAs in particular, in meeting the government's objectives for the promotion of enterprise (DTI 2001: chapter 3). The publication of the White Paper came too late for a thorough review to be included in this monitoring report. A more detailed discussion will appear in our next report.

### **2.3 Regional Assemblies and Planning Guidance (RPG)**

The publication of new Planning Policy Guidance (PPG11) by the DETR gave a larger role to the regions themselves in the preparation of land-use planning (DETR, 2000). Under the arrangements contained in PPG11, Regional Planning Bodies (RPB), in consultation with the GOs and other regional stakeholders, are responsible for reviewing RPG, preparing new draft RPG and for ensuring that a sustainability appraisal is carried out. The draft RPG is then subject to public examination before being issued in final form by the Secretary of State. In two regions, the South-East and the South-West, the RPB has merged with the Regional Assembly. Under the new arrangements the lead body in the preparation of RPG is the RPB and it must be prepared to defend it at a public examination the policies and proposals set out in the draft RPG. Differences of view with the GO, and other stakeholders, are aired at the public examination. The Secretary of State still gives the final approval to any revision in RPG.

Although a number of regions have recently prepared RPGs nominally under the new arrangements, only the South West could be said to have



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prepared its guidance entirely within the spirit of the new arrangements. In December 2000 the South West Regional Planning Conference proposed changes to its planning framework, which was accepted as a basis for consultation by the Government (DETR News Release 784, 20<sup>th</sup> December 2000).

East Anglia was the first region to declare under the new procedural arrangements in November, but around boundaries that will change in the future. It produced a plan, which gave a key role to the Cambridge sub-region in stimulating the development of the region (DETR/GO East, 2000). The Guidance was based upon the *Regional Strategy for East Anglia (1995-2016)*, which was prepared by the Standing Conference of East Anglia Local Authorities (SCEALA). The proposals contained in these existing policies were adapted in the light of the new arrangements outlined in PPG11. The planning system in East Anglia, however, will undergo a significant change. From April 2001 the East of England will become the planning region. Transitional arrangements have been established between SCEALA, SERPLAN and the regional planning body for the East of England to facilitate the changeover, but all of these bodies are likely to find the coming months a challenge<sup>5</sup>.

Nevertheless, the East Anglia RPG does incorporate many of the procedural innovations proposed in PPG11. Welcoming the publication of the guidance the Planning Minister Nick Raynsford claimed:

The East Anglia RPG shows how the new arrangements for RPG are working to deliver regionally based strategies which will meet development needs and contribute to achieving sustainable development. It is for the local authorities to reflect the policies of the RPG in their development plans and to work with the private sector and other agencies to see those policies implemented (DETR News Release 719, 23<sup>rd</sup> November 2000).

This East Anglian experience is in sharp contrast to that of the South East. In the latter case the government in effect issued its own planning guidance (DETR News Release 764, 18<sup>th</sup> December 2000). This was the outcome of the government's rejection of the recommendations from an independent panel on the future housing needs of the South East and those of the regional planning conference SERPLAN. SERPLAN (the South East Regional Planning Conference) split along party lines in the tense discussion surrounding housing targets in June 2000. In this context

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<sup>5</sup> SCEALA contains the counties of Norfolk, Suffolk and Cambridgeshire, while SERPLAN contains the South-East region plus Hertfordshire, Essex and Bedfordshire. These three counties will move to the East of England planning region after April 2001. A fuller case study of the East of England will be incorporated in the next monitoring report in May 2001.

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the government issued its own guidance on housing provision for the region in December 2000 (GOSE, 2000)<sup>6</sup>.

It is noteworthy in this context that a recent report claimed that the Treasury has begun an inquiry into planning policy and its role promoting growth (see *Financial Times*, 3<sup>rd</sup>/4<sup>th</sup> February 2001). The inquiry was apparently at the behest of the CBI, which maintains that current operation of the planning system inhibits economic development. The status of the research is unclear but potentially represents a major intrusion on the part of the Treasury into DETR territory. This episode ought to be viewed in the context of the critique of the Treasury by the Commons Treasury Committee, which maintained that the Treasury is too often straying into the affairs of other departments (discussed more fully section 8 below).

### **3 Regional politics and policies**

The first indications of a change in the direction of Government policy on the English regional question came in January 2001. In a debate in Westminster Hall, sponsored by the Great Grimsby MP Austin Mitchell, the Parliamentary Under Secretary of State at the DETR, Beverley Hughes, made clear for the first time that the creation of regional assemblies need not be preceded by another round of local government reform. Meanwhile, inside the DETR, ministers were attempting to agree a common front in a department where the Secretary of State — deputy prime minister, John Prescott — had been pursuing a strong pro-devolution line while his Local Government and Regions Minister, Hilary Armstrong, was noticeably cooler. Close to Downing Street, she appeared far keener in pushing the case for elected mayors in big cities and towns. Now, after a meeting in the department, the two seem to have reached an accommodation. John Prescott accepts that any new elected assemblies must follow the Greater London Assembly model as mainly strategic bodies, with responsibility for regional planning, transport, and monitoring the RDAs. The two ministers apparently believe the addition of — say — health and higher education to the list of responsibilities is not only diversionary but also likely to alienate those who might be persuaded of the merits of 'lighter touch' assemblies. They also agree that a step-by-step asymmetrical approach, with some regions moving faster than others, is the most sensible way forward.

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<sup>6</sup> The scale of planning pressures in the South East are often a different order to those in any other region and help to shape the pattern of incipient regionalism there. One issue, for instance, is a half-spoken tension between the RDA, which is pro-growth and local authorities (and the regional assembly), which are not (see section 11 below). It is resistance to growth (or at least its consequences) which was at the root of SERPLAN's stand-off with the government. It should also be noted, however, that SERPLAN divided largely on party lines when it came to responding to the Government's proposals, with Tory members opposed and Labour ones approving.

John Prescott, never a fan of elected mayors, has been helped by the slower-than-expected pace of town hall reform; only two referendums, testing support for an executive mayor, are likely (in Brighton and Hove and Berwick upon Tweed) this May; another clutch in around six cities and towns, from Birmingham to Watford, could be held this autumn (see section 8). Elsewhere, there appears to be little enthusiasm — seemingly leaving the political terrain clearer for the regional agenda.

### **3.1 Parliamentary debates**

The developments within the DETR provided the context for a debate held in Westminster Hall on Wednesday 17 January 2001 (Column 95WH), sponsored by Austin Mitchell, the Member for Great Grimsby. Although nominally concerned with 'devolution', Mr Mitchell admitted that it was,

a subterfuge for the real issue of the debate, on which I wish to concentrate. It was suggested to me that one could not raise the subject because it demanded legislation from Government. My real preoccupation is regional government in the best part of this country, which is Yorkshire and Humberside, the Geordie nation, and the north-west, and the prospects and effects of devolution on them.

The debate was used as an opportunity by Members to rehearse many of the arguments surrounding regional government.

Jim Cousins (Member for Newcastle upon Tyne Central) for instance, drew attention to the importance of the 'Scottish effect' in stimulating regionalism in the North East of England.

As a result of the Government's programme, we are seeing the strong benefits of devolution. In the north-east of England, which I represent, we see at close hand the benefits of Scottish Government in the programme for warm homes, the decision to deal with long-term care on a different basis from that in England, and in terms of student finance and the important issue of teachers' pay. Not all of that may be deliverable, it may not all work out, but there are real practical benefits to people just over the border.

People just to the south of the border are bound to want to be cut in as well. We want the ability to do some of those things for ourselves. We want to have the same block grant system and the same ability to generate local flexibility about where we apply finance as the Scots, the Welsh and people in Northern Ireland have. That is a political issue that cannot be forever kicked into touch. It is a serious issue that will surface in the next Parliament and will need to be addressed (Column 101WH).

In her contribution to the debate, Louise Ellman (Member for Liverpool Riverside) drew attention to the 'democratic deficit' in the regions in a way which chimed with aspects of Gordon Brown's remarks reported earlier:

Over the past four years, we have started to recognise the importance of regional representation, but not only for reasons of economic regeneration. Regional chambers and assemblies have been set up. In the north-west, our regional assembly is strong; it brings together elected local authority councillors with universities, colleges, trade unions, the private sector, the co-operative movement, the voluntary sector, the national health service, the Environment Agency and other bodies. It is an important building block. However, we have a long way to go and what is missing is a clear accountable regional remit. The elected element in our regional assemblies comes from local authorities [...] Elected councillors have a remit relating to their local authority area. No one is elected with a remit for the whole region. The regional structure lacks a clear, democratic accountability. Yes, the regional development agencies are required to consult the regional chambers and assemblies--and most of them do that extremely well. However, they are responsible to the Minister, not to the region. There is no structure whereby we can have accountability for regional quangos in higher and further education, the environment, the arts, health and elsewhere. There is no open forum in which regional consumer interests can be articulated and considered (Column 106WH).

Mr. Andrew George (Member for St Ives) raised the boundary issue in the context of the distinctive claims about Cornish identity:

People should be concerned about the increasingly low turnouts at elections. The low turnouts at the European elections would surely be eclipsed by very low turnouts at regional assembly elections in areas where people have no sense of regional identity. People would stay home in their droves, if they did not identify with their region. Rather than destroying existing regions such as Cornwall and the Isles of Scilly simply to create synthetic ones, we really do need to address that issue. There is a great opportunity, but we need to approach it with an open mind (Column 112WH).

Representing the Conservative position, Mr. Robert Syms (Member for Poole) raised the English Question from another angle:

We are not committed to an English Parliament, although it is odd that people should glory in the Scottish Parliament, but say that the English should have something different. We are committed to English and Welsh votes within the House of Commons on issues that directly affect England and Wales

and we have concerns about Scottish Members casting their vote on matters for which they have no responsibility for in Scotland and changing the balance in the rest of the UK. When we vote on hunting later today, it will be interesting to see how many Scottish Members who cannot vote on that issue north of the border, will be voting to determine what happens in my constituency and other constituencies throughout southern England (Column 113WH).

Responding to the debate, the Parliamentary Under-Secretary of State for the Environment, Transport and the Regions, Beverley Hughes, made it clear that the government does not presume that the creation of regional assemblies must be preceded by local government reform to create unitary authorities (reiterating a point made earlier in the same week by the Deputy PM)<sup>7</sup>.

Ms Hughes identified what she regarded as the coming issues:

There are a number of key issues, including size, structure and the level of powers, but in promoting wider debate we need to concentrate on three issues: the economic case for directly elected regional government, accountability and the democratic case and the popular case. We need a clear popular mandate to take this forward, but if we can focus on the economic, democratic and popular aspects of the debate, we will do so in a productive way.

### **3.2 Regional campaigns**

A delegation from the Campaign for the English Regions (CFER) met with the Regions Minister Hilary Armstrong. Coincidentally the meeting took place on the same day that Gordon Brown made his Manchester speech<sup>8</sup>. The minister reiterated some well-known attitudes, notably the government was interested in the notion of 'asymmetrical devolution' (especially the lessons of the Spanish model) and had a view of elected assemblies as being concerned with largely 'strategic' economic development, transport and planning functions.

CFER has significantly boosted its income in the first months of 2001. This came in the form of a major grant from the Joseph Rowntree Reform Trust, topped up by donations from UNISON and the Andrew Wainwright Reform Trust. The bulk of the money will be used to support activity in various regions around the country as well additional national lobbying activity by CFER itself.

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<sup>7</sup> This point is reported in a confusing manner in the online version of Hansard and gives the opposite impression to that intended by the Minister.

<sup>8</sup> John Tomaney is currently chair of the Campaign for the English Regions, but was not a member of the delegation.

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In the **North East** the Campaign for a North-East Assembly (CAN) continues with a rolling programme of 'days of action' in various constituencies in the region (including to date Hexham, Berwick and Sedgefield). The work in the Prime Minister's constituency included a poll of Sedgefield residents. This revealed that 69% of Tony Blair's constituents supported the call for elected regional government (see Section 5). Resources from the CFER will be used to roll the programme into Newcastle, Sunderland, Middlesbrough and Chester le Street in the weeks prior to the election. Meanwhile, the North East Constitutional Convention (NECC) has established a joint working party with the North East Regional Assembly to develop further proposals for an elected regional assembly. The NECC is currently undertaking a community consultation exercise aimed particularly at canvassing the opinions of disadvantaged groups<sup>9</sup>.

In the **North West**, the North West Constitutional Convention (NWCC) is poised to launch a series of public consultation events which will seek the views of members of the public on the proposals for regional government that it published last year. It also expects to launch an interactive web site in the coming weeks. Also in the North West initial proposals are afoot to establish a campaign for an elected assembly involving senior figures from the Labour and Liberal Democrat parties in the region.

Meanwhile, working groups of the Convention established by the Campaign for **Yorkshire and the Humber** are preparing a report on aspects of regional governance for their next Convention meeting in June 2001.

In the **South West** the new 'South West Constitutional Convention' (SWCC) is preparing for its first full meeting on May 19<sup>th</sup>. SWCC has also launched a modelling exercise with the Cornish Constitutional Convention to examine how the special claims of Cornish identity can be accommodated in any new democratic structures.

The **West Midlands** Constitutional Convention (WMCC) has appointed the Aston Business School to service the organisation. The WMCC will be formally launched on March 12<sup>th</sup>. Meanwhile, WMCC is setting up a network across the region of contact officers to respond to differing media and political concerns of the various localities within the region.

#### 4 **Media**

The national media's interest in the story of English regionalism remains sporadic, tending to be restricted to its parliamentary or internal manifestations. An interesting example of this tendency (and illustration

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<sup>9</sup> John Tomaney is a member of the steering group of the North East Constitutional Convention.

of the dangers inherent in it) was a report in the *Independent on Sunday* (10<sup>th</sup> December 2000) by its political correspondent Jo Dillon. Citing 'senior Labour Party sources', this claimed that 'plans to create regional assemblies in England are to [be] abandoned by Tony Blair if he wins a second term'. The report suggested, 'Downing Street, understood to be backed by the Chancellor, Gordon Brown, has now set its face against the idea'. (The story was published at the time Balls and Healey published their pamphlet outlining their 'new regional policy'.) Gordon Brown's Manchester speech received notable coverage in the broadsheets, notably the *Financial Times*, *The Guardian* (Hetherington, 2001), *The Economist* and the *Observer* (Hutton, 2001).

The CFER's meeting with Hilary Armstrong received some notable coverage in the regional media beyond the North East, perhaps indicative of the stirrings of regional interest in the issues surrounding the governance of England. (For instance, the story ran in the regional press in the North East and Yorkshire and on 10 BBC local radio stations from Cornwall to Lancashire). Coming on the day of Gordon Brown's speech, this gave the regional media a clear issue. A noteworthy aspect of the media coverage in some regions was a change in tone. For instance the *Birmingham Post* struck a much more ambivalent attitude to the idea of regional government, in contrast to its typical hostility (Beattie, 2001). However, it remains the case that in parts of the South, the traditions and perspectives of the county newspaper are generally hostile to the notion of regionalism (see Ward and Tomaney, forthcoming, for some evidence from East Anglia/East of England).

## **5 Public attitudes and identity**

There were no major surveys of English regional opinion in the three months to mid-February. However, the British Social Attitudes Survey did investigate attitudes to national identity. Among its findings were that around a third of people living in England (32%) see themselves as being more English than British, a quarter (25%) see themselves as more British than English, and 37% see themselves as equally English and British. But the first group is growing. And among those, whose allegiance is solely to England, the proportion has grown from 7% to 17% in the last two years.

The report detected few signs, however, that devolution in Scotland and Wales has created an English backlash. On the contrary, according to the survey, opinion in England largely accepts Scottish and Welsh devolution. A quarter of people living in England (24%) believes that Scotland should become completely independent. But the most widespread response of the English to Scotland's status is indifference - over a half would be 'neither pleased nor sorry' if Scotland were to become independent. And, as far as England itself is concerned, only 15% favour devolving power to regional assemblies, and 18% to a new English parliament. These figures are,

however, not broken down by region, and therefore do not cast light on the degree of regional variation in attitudes to identity<sup>10</sup>. Any attempt by the Conservative Party to become the party of England will thus face considerable obstacles. The survey found that minority ethnic groups in England are less likely than others to adopt a strong English identity, whilst over a third (37%) of those with such an identity admit freely to being racially prejudiced (compared with 17% of those with a strong British identity). English nationalists are also twice as likely as those with a strong British identity to believe that people cannot be 'truly English' unless they were born in England or have English parents<sup>11</sup>.

*Attitudes to national identity in England, Scotland and Wales (%)*

	England	Scotland	Wales
English/Scottish/Welsh, not British	17	32	17
More English/Scottish/Welsh than British	15	35	19
Equally English/Scottish/Welsh and British	37	22	36
More British than English/Scottish/Welsh	11	3	7
British, not English/Scottish/Welsh	14	4	14
Other/none/don't know	7	4	7
<i>Base</i>	<b>2,718</b>	<b>1,482</b>	<b>1,256</b>

Source: British Social Attitudes Survey, 2000, cited in *Financial Times*, 28<sup>th</sup> November 2000.

Although no nation-wide surveys of regional opinion have been conducted over recent months, a survey of attitudes to regional government was undertaken by the Campaign for a North-East Assembly (in association with the University of Northumbria) in the Prime Minister's constituency of Sedgefield. 362 residents were asked for their opinions on a series of issues concerning the governance of the North East. While perhaps lacking a wholly scientific provenance, the survey should make salutary reading for the Prime Minister. Some 69% agreed with the proposition that the North East should have its own directly

<sup>10</sup> For some evidence on these see Tomaney and Hetherington (2000).

<sup>11</sup> See: [http://www.natcen.ac.uk/news/news\\_bsa\\_pr2000.htm#8](http://www.natcen.ac.uk/news/news_bsa_pr2000.htm#8). See also John Curtice (2000) 'The National Interest', *The Guardian*, 4.12.00.



elected assembly, while 73% of those questioned thought the people of the region should be asked their views in a referendum.

*Attitudes to regional government in Sedgefield*

	Agree	Disagree	Don't know	Total
Too many decisions about the North East region are made by central government	246 (68%)	47 (13%)	69 (19%)	362
People in the North East should have more democratic control over what happens in their region	276 (76%)	36 (11%)	48 (13%)	362
A directly elected assembly for the North East should decide on issues like generating jobs and developing major roads and public transport	251 (69%)	58 (16%)	48 (13%)	362
The people of the North East should be given the opportunity in the next two years to choose whether or not they want an elected assembly	263 (73%)	48 (13%)	51 (14%)	362

Source: Campaign for a North-East Assembly, *Listening to Sedgefield*, 21<sup>st</sup> January 2001. (Available from Campaign for the English Regions, 140-150 Pilgrim Street, Newcastle upon Tyne, NE1 6TH.)

## **6 Relations with Whitehall and Westminster**

Gordon Brown's speech mentioned earlier in this report identified an important role for Parliament in monitoring the new arrangements in the English regions. A proposal to create a Standing Committee for the English regions was first made in the original debates surrounding Scottish and Welsh devolution. It has yet to meet. Members of the House of Commons raised the establishment of the Committee in late 2000 in

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questions to the Leader of the House (Hansard, 14 Nov 2000: Col. 799-300):

42. Mr. Paul Clark (Gillingham): When the regional Standing Committee will hold its first meeting.

The President of the Council and Leader of the House of Commons (Mrs. Margaret Beckett): I expect the regional Standing Committee to be established and I hope it will meet before the end of the Session.

Mr. Clark: Bearing in mind the wide-ranging performances within our regions — I know that mine, in the south-east, is doing good work— will my right hon. Friend confirm that the Committee will have a free hand to look into issues; particularly local economic regeneration issues, which are so important in a number of parts of the south-east?

Mrs. Beckett: My hon. Friend may recall that it is intended that the Committee will take business on a motion proposed by a Minister, but he is right to identify issues such as economic development in the regions as being among those that we anticipate the Committee will want to consider, along with issues such as transport strategies, tourism, sport and culture.

Mr. Paul Tyler (North Cornwall): Will the President of the Council confirm that the Government do not see the Committee as in any way a substitute for genuine devolution to the regions? The Committee may be helpful in allowing Members of Parliament to assess what is going on in the regions, but given the lack of progress in accountable regional government and accountable democracy in the regions — as opposed to simply regionalising Government agencies--will she confirm the Government's intentions?

Mrs. Beckett: The Government have always made it plain that we recognise the importance of the development of regional strategies. The hon. Gentleman says — perhaps a little unfairly — that there has been a lack of progress. However, this Government set up the regional development agencies, which I understand the Conservative party proposes to abolish. The hon. Gentleman will know that representatives of local authorities work alongside people from the business community and the wider community. He will also know that there are many ideas floating around about how else regional strategies can be pursued, and how there could be other regional representation. However, he will also know that the Government are anxious that any further move in this direction be taken at the wish of the people of a particular region, rather than as a top-down move.

Mr. Nigel Evans (Ribble Valley): Is the inadequate regional Standing Committee the Government's response to the West Lothian question? How will it be constituted?

Mrs. Beckett: No, it is not the response to the West Lothian question. We have long argued, as did the Conservatives in the days when they were in favour of devolution, that there is no need for a different settlement in this place, and that those who are returned as MPs to Westminster should operate as MPs in Westminster.

It is intended that 13 people will make up the core group of the Committee's membership, and, we hope, will build up expertise on regional affairs in general--but it would of course be possible for any Member who represents an English constituency to attend.

The precise role and tasks of the Committee have not yet been defined, although in his contribution to the Smith Institute pamphlet, John Healey MP outlined a potential role for what he describes as a 'Select Committee on the Regions':

This new Parliamentary committee is empowered and well placed to fill the scrutiny gap for the new regional policy. With the power to launch inquiries, summon witnesses, publish reports and require government responses this committee of the regions could audit the performance of RDAs, monitor the impact of RESs and make useful cross-regional comparisons. The committee could play a role in the assessment of RDA chairs and in holding them to account. And where a RES compliance audit suggested a particular problem with a contribution of a local, sub regional or other regional agency then the committee might properly investigate and report (Healey, 2000: 44).

## **7 EU issues**

## **8 Local government**

The debate about the relationship of local government reform to the creation of regional assemblies has had two dimensions. The first concerns the stipulation, first put forward by Jack Straw in the mid 1990s, that under regional government there should be predominantly unitary local government. While this stipulation could be met in some regions, it could not in others. For this reason the stipulation was regarded as an insurmountable obstacle to the creation of regional assemblies. We noted earlier that in a recent Westminster Hall debate the DETR minister Beverley Hughes, suggested that unitary local government was not now

regarded as a prerequisite for a move to elected assemblies. This position was reiterated in an answer during DETR questions given by John Prescott in House of Commons:

John Prescott: We remain committed to moving to directly elected regional government, where there is support as demonstrated in referendums. In the meantime, there are no plans at present to reform the structure of local government in England. Unlike the previous Government, we believe in the decentralisation of power at local, regional and national levels (*Hansard* 16 Jan 2001: Column 184).

The second dimension of the debate has concerned elected mayors. Most commentary on elected mayors saw them as Tony Blair's preference and as an alternative to elected regional government (see Tomaney 2000). We noted above that progress on elected mayors has been slower than anticipated by their proponents. In mid 2000 there was talk of a 'Democracy Day' in May 2001 in which a wave of local authorities would introduce referendums for elected mayors. It is now clear that this will not happen. The new city of Brighton and Hove will hold a referendum on introducing a directly elected mayor on May 3<sup>rd</sup> (*Financial Times*, 22<sup>nd</sup> January, 2001). Berwick upon Tweed is also a likely candidate for a May or June referendum (*The Journal* 14<sup>th</sup> February 2001). However, these are hardly the big cities, which the advocates of elected mayors thought would lead the way.

A recent survey by the *Financial Times* (22<sup>nd</sup> January 2001) suggested the wind had gone out of the sails of the issue of elected mayors in the big cities. It reported that Manchester and Liverpool councils had both voted against an elected mayor in principle. The leader of the Liberal Democrats in Liverpool, once in favour of the idea, has reportedly changed his mind. In Newcastle, the council has decided to set up a Constitutional Forum to examine the idea effectively kicking the issue into the long grass (*The Journal*, 6<sup>th</sup> December 2000). There are one or two localities that could swing behind the idea by the autumn of 2001, including Bristol, where the local paper supports the concept and Birmingham, where the Cadbury Commission backed the idea. A referendum is also possible in Watford in a similar time frame. It seems fairly certain though that it could be some time before a nation-wide groundswell emerges.

Interestingly, the new found enthusiasm for regionalism on the part of the Treasury may signal the clearer linking of sub-regional initiatives to regional activity through the mechanism of Local Strategic Partnerships and Local Public Service Agreements. The government already provides resources through the New Deal for Communities to promote Local Strategic Partnerships that bring local authorities and other agencies together to provide the integrated delivery of local services. According to the government local PSAs are a means by which local authorities can build upon the principles of best value. Each local PSA will focus on about twelve key outcomes, which reflect a mix of national and local priorities, including, where appropriate, targets to improve outcomes for

areas or groups most at risk of social exclusion. In return, central Government Departments will offer a package of agreed freedoms and flexibilities, alongside additional financial incentives, and rewards for success, which will help authorities to deliver these enhanced outcomes (DETR, 2000b, especially Annex B).

Balls (2000) predicts that Local Strategic Partnerships — and over time local PSAs — will cover the whole of Britain. Graham Hall, chair of the Yorkshire RDA has called for the performance of other regional and sub-regional agencies to be judged against Regional Economic Strategies (Hall 2000). The first pilot local PSAs have been agreed with six local authorities (DETR News Release 055, 5<sup>th</sup> February 2001).

A further dimension of this issue concerns the recent unease expressed by the Treasury Select Committee that the Treasury itself:

has begun to exert too much influence over policy areas which are not properly the business of other departments and that this is not necessarily in the best interests of the Treasury and the Government as a whole (House of Commons, 2001: para 21).

The Committee was particularly concerned that the Treasury's role within the Government is 'too powerful' in respect of monitoring PSAs (para 38).

These issues will themselves be worth monitoring over the coming months.

## **9 Finance**

Most issues regarding finance have been covered in other sections of this report. However, it is worth noting that Graham Hall, in the paper cited earlier, places some controversial financial issues on the policy agenda.

A fair and equitable distribution of public spending per head will be vital to ensure that the poorer English regions have a much greater chance of narrowing the gap with London and the South-East. A period may be needed to ensure a smooth and well-planned transition, but the CSR [Comprehensive Spending Review] provides the resources to redistribute more education, health and transport spending to the regions that need it most. The time has surely come to look again at the Barnett formula.

This intervention may anticipate more widespread debate on similar themes after the next election.

## **10 The political parties**

On 4<sup>th</sup> December 2000 the Liberal Democrats published their 'Alternative Queen's Speech'. One of the 31 Bills they would introduce is the Regional Government Bill — 'to bring government closer to the people and wage

war on quangos'. It would 'enable legislation to allow directly elected regional assemblies to be set up in those regions which can demonstrate a clear mandate — through referenda — from local people'. The Liberal Democrats also announced that they would bring forward the Finance Commission for the Nations and Regions Bill. This would set up a Finance Commission to develop a new needs based assessment to replace the Barnett formula. Despite their proclaimed support for regional government, to date the Liberal Democrats have not yet raised the issue for discussion in the Cabinet Joint Consultative Committee.

Officially, the Conservatives remain hostile to any mention of regionalism. On Tuesday 5<sup>th</sup> December 2000 the Conservatives held a press conference to present their own alternative Queen's Speech, in which they promised tax cuts of £8 billion over 3yrs. £100m came from abolishing the RDAs and a further £205m appeared to be attributed to savings accruing from not creating Regional Assemblies, despite the fact that this figure does not exist in any spending plans. However, as we show in Section 11, this rather simple surface picture obscures some interesting undercurrents in Tory thinking.

Of most interest in the current climate are the contents of the next Labour manifesto. Although the skills of a Kremlinologist would help to divine real movements on this issue, recent events reported earlier suggest that Labour is edging toward firming its commitment to English regionalism in its forthcoming manifesto. Some senior ministers are pressing strongly inside the government for a short bill on English devolution in the first Queen's Speech after the general election, raising the prospect of elected regional administrations taking office during the next parliament. Supporters of John Prescott, citing recent developments, suggest that Labour's commitment to English regional government should be firmed up in its manifesto for the election, notwithstanding obvious resistance on the part of other senior ministers cited earlier.

A recent report, which probably accurately summarises the attitude of pro-devolution ministers suggested,

The manifesto wording has yet to be drafted, but it could commit the government to building on the regional development agencies and shadow assemblies it set up in the eight English regions outside London. An inter-departmental green or white paper would be published this summer, setting out the powers that could be handed to the existing assemblies, with a mechanism for triggering regional referendums on setting up an elected assembly. The paper is expected to propose handing over control of the RDAs, which report to Whitehall, together with responsibility for planning, infrastructure, environmental policies and sustainable development. There would be no handover to regions of centrally controlled but locally delivered services such as health and the police, but the assemblies could be given some control over Learning and Skills Councils. The trigger for

local referendums would probably be requests from the shadow assemblies, which group local councillors with business people and the voluntary sector. Other mechanisms are being discussed, however, including petitions and joint declarations by local authorities (*Financial Times*; 2<sup>nd</sup> February 2001).

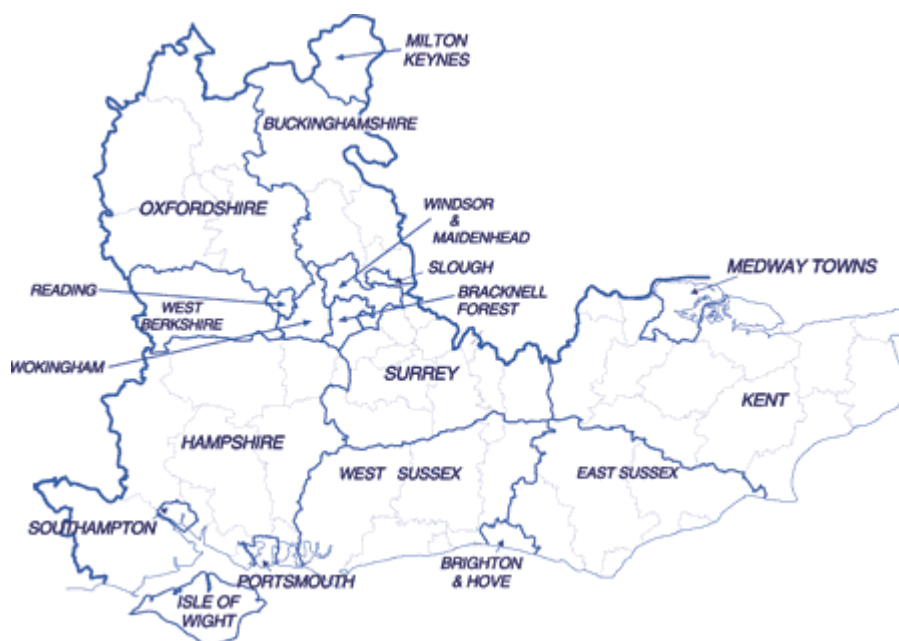
The 'light touch model' of regional government seems to be the one around which a large number of ministers can agree, although stronger triggers for a referendum than simply 'requests from shadow assemblies' are likely to appeal to some ministers. Moreover, there does appear to be a growing consensus that regional devolution should take place ahead of a further reorganisation of local government to establish unitary authorities across England. This removes a potential stumbling block, although local government reform could follow later.

## **11 Regionalism in a Tory heartland? The South East**

With a population of eight million, a formidable concentration of high value industries from bio-technology to information technology, and an economy growing faster than all other regions, the South East of England appears to have only one problem: how to accommodate the people, and find the land necessary for seemingly unrelenting growth (see section X). Although the region, stretching in an arc around London from Thanet in the east to the New Forest in the west, and from Oxfordshire in the north to the channel ports of the south, has no dominant urban centre — it has seven cities with populations over 100,000 — Guildford has assumed the role of unofficial 'capital' (see map). It is home to both the South East RDA (SEEDA) and the 111-member South East Regional Assembly. When the eight RDAs were established two years' ago, followed by a string of 'chambers' — now increasingly re-branded 'assemblies' - the South East appeared the last place as a test-bed for regional policy.

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*The South East of England Government Office Area*



With a majority of Conservative councils, in a disparate region with no obvious centre (Hertfordshire and Essex, for instance, while part of the 'SERPLAN' planning region, lie in Eastern for RDA purposes), it was reasonably assumed that John Prescott's much-vaunted ideal of 'English devolution' would be rejected out of hand. True, unlike either Yorkshire and Humberside or the North East, there is little debate about the merits of regional policy. If a referendum to test the concept of a full-blown elected assembly was held tomorrow, it's a safe bet that the idea would be rejected out of hand. But, then, no politician from the three main parties is pressing for such a test; they are realistic enough to recognise that public opinion is far behind northern regions (where campaigners would probably still have difficulty marshalling a 'yes' vote in the immediate future). But on another level, regionalism is slowly taking root.

The South East Regional Assembly [SERA], now housed in the same building as the RDA, arguably has a higher profile than — say — the North East, where it was always assumed that demand for an elected assembly is the strongest. An impressive range of glossy brochures, and leaflets, prepared by its director Paul Bevan — a former assistant chief executive of Brighton and Hove — outline strategy (over planning, transport and regional partnerships). In many respects these activities are a model for some other regions. Relations with the RDA are strong, and formal. Yet the politician chairing the South East Regional Assembly might well have been described, charitably, as a regional sceptic two years' ago. But David Shakespeare, Conservative leader of Buckinghamshire County Council, is a pragmatist. He knows his party is opposed to the very concept of regionalism. Yet he says he is also determined to make the Assembly work in the interests of the South East. In doing so, he is coming close to challenging the conventional wisdom of



his party leadership — namely, that the new regional apparatus represents an expensive new level of bureaucracy that cannot be justified. Consequently, it must be scrapped at the earliest opportunity.

His views present a fascinating insight into the cross-currents within the Opposition as a General Election approaches. In reality, would a future Conservative Government scrap the RDAs, as William Hague has promised — or will they follow the example of the Thatcher administration in 1979 which first threatened to abolish the Welsh Development Agency and the then Scottish Development Agency (now called Scottish Enterprise), then decided to keep them with a few modifications to structures? Shakespeare acknowledges his party is opposed to the 'regional agenda' of the present Government on the grounds that it could lead to a 'federal structure' and the break up of England as presently constituted. But he can also see some sense in councils co-operating over areas such as transport and strategic planning, in the interests of the wider South East.

Moreover, he appreciates the argument of a constitutional vacuum, with England 'missing out' with the devolution of political power to Scotland and Wales. Continually stressing his 'pragmatism' over ideology, he speaks of good relationships with SEEDA ('although this is not universally mirrored (between chambers and RDAs) around the country') but says he is not prepared to go for growth 'at any cost.' In other words, if the South East cannot take the strain any longer, as the country's economic driver, then industry should be directed to other, less-favoured regions. It is not necessarily a cry trumpeted by SEEDA, although the agency — which sees itself competing with strong regions in mainland Europe rather than others in England — apparently sees no reason why 'back office' functions cannot be diverted to the Midlands and the North, with the south retaining the higher-valued, head office or research and development activity.

But appearing to part company with the line of his leadership, David Shakespeare suggests that the 'regional genie is now out of the bottle and will be difficult to put back again.' He also says he has held talks with his party's Shadow Environment and Regions Secretary, Archie Norman, and has received assurances that - if the leadership line prevails - then regional powers will go to 'local democratic control.' Mr Norman is careful not to criticise the people running the RDAs. He recognises many are skilled, dedicated individuals working hard for their regions. But he adds that the RDAs were created when John Prescott and his then regions minister, Richard Caborn, (now Minister for Trade at the DTI) thought they would lead to directly elected assemblies. Now England had been left with RDAs and no body to which they are accountable. 'They represent a huge expansion of the role of the state without any accountability.' But he had no objection to Conservatives sitting on RDAs or regional chambers/assemblies... 'we live in the world as it is...I am not saying everything they do is hopeless. They do some good things.' Nevertheless,

administrative costs were far too high and he could not understand why RDAs - such as Yorkshire Forward - were setting up offices in Brussels.

But with much of the funding for RDAs coming from the DETR's Single Regeneration Budget, Mr Norman complains that resources are too widely spread and, consequently, not narrowly focussed on areas of urban deprivation — hence the Conservatives' plan for limited life Urban Development Companies (similar to the former Urban Development Corporations.) They would use Government money to lever in funds from the private sector, with developers getting tax credits to further encourage private investment. The new companies would be accountable to a minister and boards would include councillors, business interests and voluntary groups to ensure accountability. But what of the RDAs? While Archie Norman says a Conservative government would abolish them, he nevertheless leaves the door open for a slight policy shift. He accepts there might be a case for limited-life organisations, or special purpose agencies, in less-favoured areas, like the North East, to help regenerate areas, and encourage inward investment, as long as they are limited 'to say 10 years' and meet strict performance targets.

The experience of the South East highlights the complexity of the issues that confront the Conservatives in developing a response to Labour's constitutional agenda and, in particular, its policies for the English regions. In the same way Labour's policy continues to evolve, it would be unrealistic to expect the Conservative position to remain unaltered in the future — especially if the party finds itself confronted by the prospect of a further five years of regionalism in its own heartlands.

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