

**DEVOLUTION
MONITORING
PROGRAMME
2006-08**

English Regions Devolution Monitoring Report

January 2007

Martin Burch, University of Manchester

Alan Harding, University of Salford

James Rees, University of Manchester

ipeg

Institute for Political and
Economic Governance
at The University of Manchester

The Devolution Monitoring Programme

From 1999 to 2005 the Constitution Unit at University College London managed a major research project monitoring devolution across the UK through a network of research teams. 103 reports were produced during this project, which was funded by the Economic and Social Research Council (grant number L 219 252 016) and the Leverhulme Nations and Regions Programme. Now, with further funding from the Economic and social research council and support from several government departments, the monitoring programme is continuing for a further three years from 2006 until the end of 2008.

Three times per year, the research network produces detailed reports covering developments in devolution in five areas: Scotland, Wales, Northern Ireland, the English Regions, and Devolution and the Centre. The overall monitoring project is managed by Professor Robert Hazell and Akash Paun at the Constitution Unit, UCL and the team leaders are as follows:

- Scotland: **Peter Jones**
Honorary Senior Research Fellow, The Constitution Unit, UCL
Former political correspondent for *The Economist*
- Wales: **Dr Richard Wyn Jones & Dr Roger Scully**
Institute of Welsh Politics, University of Wales, Aberystwyth
- Northern Ireland: **Professor Rick Wilford & Robin Wilson**
Queen's University, Belfast
- English Regions: **Martin Burch & James Rees**, IPEG, University of Manchester
Alan Harding, SURF, University of Salford
- The Centre: **Professor Robert Hazell**, The Constitution Unit, UCL
Akash Paun, The Constitution Unit, UCL

The Constitution Unit and the rest of the research network is grateful to all the funders of the devolution monitoring programme.



WALES OFFICE



Scottish Executive

All devolution monitoring reports are published at: www.ucl.ac.uk/constitution-unit/research/devolution. Contact Akash Paun on a.paun@ucl.ac.uk for further information.

**Neither Cities nor Regions:
The Continuing Dilemma of English Regionalism**

English Regions Devolution Monitoring Report

January 2007

Martin Burch, Alan Harding, and James Rees

Neither Cities nor Regions: the Continuing Dilemma of English Regionalism

Contents

EXECUTIVE SUMMARY	6
CHRONOLOGY OF KEY EVENTS – SEPTEMBER TO DECEMBER 2006	8
INTRODUCTION	10
1. REGIONAL STRUCTURES	13
1.1. The Treasury and Regionalism	13
1.1.1 Regions and the Comprehensive Spending Review (CSR)	14
1.1.2 The PSA Target	17
1.2 Regions and the Local Government White Paper	17
1.2.1 Devolution and local government	19
1.2.2 The White Paper and City-regions	20
1.3 Development Agencies	23
1.4 Government Offices for the Regions	27
1.5 Regional Assemblies	27
1.6 Greater London Authority	31
1.6.1 Other London Issues	34
1.7 City-Regions	36
1.8 Other Regionalised Agencies and Actions	39
2. PARTY POSITIONS ON REGIONAL ISSUES	41
3. PUBLIC ATTITUDES, IDENTITY AND RESEARCH	43
4. REGIONS IN PARLIAMENT	46
4.1 Regions and the Parliamentary Programme	46
4.2 Parliamentary debates	47

5.	REGENERATION AND LOCATION POLICY	50
6.	EU ISSUES	53
7.	FINANCE	56
8.	LOCAL GOVERNMENT	56
9.	CONCLUSION	57

List of Figures

Figure 1: Results of RDA Independent Assessment	24
Figure 2: Status of the RSS Process in Each Region	28

Abbreviations Used

ALG	Association of London Government (renamed London Councils)
CSR07	Comprehensive Spending Review 2007
DCLG	Department of Communities and Local Government
DEFRA	Department for Environment Food and Rural Affairs
DTI	Department of Trade and Industry
EEDA	East of England Development Agency
EP	English Partnerships
ERDF	European Regional Development Fund
ERN	English Regions Network
ESF	European Social Fund
IPA	Independent Performance Assessment
IPPR	Institute for Public Policy Research
LAA	Local Area Agreement
LGA	Local Government Association
LSC	Learning and Skills Council
MAA	Multi Area Agreement
NAO	National Audit Office
NLGN	New Local Government Network
NWDA	North West Development Agency
NWRA	North West Regional Assembly
ONE	One North East (RDA)
RDA	Regional Development Agency
RES	Regional Economic Strategy
RSS	Regional Spatial Strategy
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SWRDA	South West Regional Development Agency

Executive Summary

This issue of the English Regions Devolution Monitoring Report – the first to be produced by the new monitoring team from Greater Manchester – examines key developments in the processes of sub-national devolution and decentralisation and approaches to sub-national spatial development in England during the period from September to December 2006. The ‘landmark’ events during this period were the publication of the long-awaited Local Government White Paper, *Strong and Prosperous Communities*, and the results of three reviews commissioned by HM Treasury on transport (Eddington), land-use planning (Barker) and skills (Leitch). The period also saw the introduction into Parliament of the bill which will deliver on the Government’s commitment to enhance the powers of London’s Mayor and strategic authority.

Whilst the implications of these key developments are in the early stages of being thought through, the very fact that they have happened illustrates just how far the Government’s thinking on sub-national institutional and policy change has shifted over the last two years in recognition of the fact that, following the North East referendum, ‘devolution’ in England can no longer be about the creation of elected regional assemblies. Taken together, they can be interpreted as mapping out the terrain on which future approaches to policy and governance between the national and local scales in England will be decided.

Strong and Prosperous Communities largely concerned itself with defining the next phase of local government modernisation and had relatively little to say about the regional agenda. However it did begin the process of clarifying the Government’s approach to city-regions, which have been seen, by some, as an alternative scale at which devolution can be managed. The White Paper acknowledged the increasingly important contribution that key city-regions have made in recent years to regional and national economies and set out a number of mechanisms through which city-regional policy and governance can be taken forward. However the framework it set out is a permissive rather than prescriptive one and stopped short of insisting, as some commentators had expected, that new city-regional authorities, overseen by directly elected mayors, should be created.

The Treasury reviews, on the other hand, implicitly set out an understanding of spatial development priorities which is consistent with the perceived importance of city-regions as motors of future improvements in wealth and productivity, but also hinted at an approach which is less about devolution and more about using national investments and oversight of regulatory regimes to encourage growth in areas that are already economically buoyant and to manage its implications more effectively. Seen in the context of what is expected to be a tight spending review, the further strengthening of institutional arrangements for the capital, and existing spending commitments in the London super-region (Olympics, southern growth areas etc.), it would appear that a city-regional policy framework for London has a significant head start over the rest of the country. Quite how this fits with the Government's commitment to reduce disparities in growth rates between the regions over the long term is not yet clear.

The answer may become clear in the middle of the year when the implications of these key publications and the analysis that underpins them are due to feed into the 2007 Comprehensive Spending Review. Before that, however, two important missing pieces of the jigsaw are due to appear in the form of the results of the Lyons review of local government finance and the HMT-DTI-DCLG review of sub-national economic development and regeneration. These will provide guidance to Government on future sub-national institutional arrangements and further finance-raising powers for local authorities to enable them to play their 'place shaping' roles more effectively. The scene is therefore set for some clear answers to questions about future sub-national policy and governance through the spending review process.

Chronology of Key Events – September to December 2006

<i>25 September</i>	One North-East launches a new economic strategy for the North East Region
<i>26 October</i>	Publication of local government White Paper – <i>Strong and Prosperous Communities</i>
<i>23 October</i>	DTI announces allocation of EU competitiveness funds for 2007-13
<i>15 November</i>	Queen’s Speech
<i>22 November</i>	Culture Secretary reveals £900m increase in projected costs of the 2012 London Olympics
<i>28 November</i>	Publication of Greater London Authority Bill
<i>1 December</i>	Publication of Eddington Review of Transport
<i>5 December</i>	Publication of Leitch Review of Skills and Barker Review of Land-Use Planning
<i>6 December</i>	Presentation of the Chancellor’s Pre-Budget Report
<i>8 December</i>	Department of Health names the locations of new Health Research Centres of Excellence
<i>12 December</i>	Second reading Debate in the Commons of the Greater London Authority Bill
<i>12 December</i>	The Northern Way announces change in focus and approach

<i>13 December</i>	Publication of Local Government and Public Involvement in Health Bill
<i>13 December</i>	DCLG launches consultation on City Development Companies
<i>13 December</i>	Second Reading Debate in the Lords on the Further Education and Training Bill

Introduction

This is the first English Regions Devolution Monitoring Report produced by the newly-appointed team from Greater Manchester. Regular readers of the series will be able to identify strong lines of continuity between the content of this report and those produced by the team's predecessors. However the change of regime offers a good opportunity to briefly rehearse the key issues involved in the complex and often tortuous debates about 'devolution' in England and to outline the new team's overall view of what the future monitoring programme should aim to achieve.

As previous reports have pointed out, England, and particularly the area outside London where most of the country's – and of indeed the entire UK's – population live, has always presented a difficult challenge to the devolution project developed by recent Labour Governments. Whilst the first post-1997 administration acted quickly to create a new model of elected, strategic governance for London, the framework of governance between central and local government levels elsewhere in England has remained complex and peculiarly resistant to neat and legible reform. Even before the historic 'no' vote in the North East referendum, which stopped the Government's tentative plans to introduce directly elected government at the regional scale dead in its tracks, it was clear that the 'devolution settlement' for England, outside the capital, was more difficult than in the rest of the country and being driven by a different logic.

Devolution to the non-English UK nations was made easier by the fact that it was possible to 'democratise' the decentralised administrative machinery that already existed in Scotland, Wales and Northern Ireland and – in Scotland and Wales at least – by the strong sense of nationhood felt within those territories. The absence of these preconditions sub-nationally in England meant that devolution as a 'democratic claim of right' for greater territorial self-government has never been taken particularly seriously as a solution to the English devolution dilemma.

Neither have the London arrangements, built upon the democratisation of strategic decision-making at the metropolitan scale, been seen – at least until recently – as a model that might be exported to other parts of England. The unique sense of attachment

to the city felt by ‘Londoners’ plays a role here. However the major stumbling block has been the absence of any consensus across Government – or indeed at sub-national level – about the scale at which strategic policies are best brought together. This is reflected in the wide range of incommensurate regional and sub-regional geographies adopted by departments and Non-Departmental Public Bodies for the purposes of service delivery.

The relative weakness of arguments for devolution in England based upon subsidiarity and service efficiency has meant that the economic case for sub-national reform has, almost by default, dominated the agenda. The ill-fated plan for elected regional assemblies was sold almost exclusively on the basis that they would help improve sub-national economic performance. But the issue of geographical scale presents a challenge, here, too, given that current administrative boundaries – whether used by regional agencies, sub-regional agencies and partnerships or local authorities – rarely ‘map onto’ functional economic areas. As a result, it is not clear which bodies Government should think about devolving or decentralising powers and resources to if the process is driven by a concern with spatial economic development. There are also difficult questions about the spatial priorities that might be served by a more devolved or decentralised approach to economic change. The elephant in the room when this particular debate takes place is the uncertain mechanism through which the Government intends to realise its long term aspiration, set out in the joint HMT-DTI-DCLG Regional Economic Performance PSA, to ‘reduce the persistent gap in growth rates between the regions.’¹

As previous reports in this series have suggested, this combination of factors has led to a situation in which:

- Straightforward ‘democratic’ devolution to one or more English regions is effectively off the political agenda;
- The purposes and forms of other approaches to devolution and decentralisation remain inconsistent and tentative; and

¹ Department for Communities and Local Government, *PSA Target 2 – Regional Economic Performance*, at: www.communities.gov.uk/index.asp?id=1122990.

- The relationship between sub-national institutional reform and the realisation of spatial development priorities is poorly understood and/or articulated.

These observations help describe the agenda that will guide the efforts of the monitoring team in the forthcoming period. In particular, the team will be keeping abreast of:

- The future forms and impacts of the 'creeping regionalisation' that has characterised the period since the North East referendum;
- Any progress in subjecting sub-national decision-making to a greater degree of political scrutiny ;
- The way in which the variety of reviews commissioned by Government in advance of the 2007 Comprehensive Spending Review are received and impact upon the policy agenda and processes of institutional reform;
- How challenges to regionalisation, including the continued evolution of the 'city-region agenda', are translated into concrete form and with what effect; and
- The extent to which 'place blind' policies and expenditure decisions become further politicised and how their ostensibly incidental likely impacts upon spatial development patterns are understood and perceived.

The remainder of this report describes key developments on these agenda items in the relevant monitoring period of September to December 2006 and argues that the 'crunch' is likely to arrive in the summer of 2007 when the outcomes of the Comprehensive Spending Review (CSR07) become known and the nature and direction of Government priorities under a new leadership begin to become clearer.

1. Regional structures

Two main sets of initiatives have contributed to the debate about English regional structures over the period of this review. First the stream of activity flowing through from the review of sub national government currently taking place at the centre with the Treasury in the lead alongside the Departments of Trade and Industry (DTI) and Communities and Local Government (DCLG). Secondly the set of proposals for the reform of local and sub national governance enshrined in the White Paper, *Strong and Prosperous Communities*, published by the DCLG in October.² The Treasury-led process is drawing together a number of reports and initiatives relevant to regional structures which have either been published or have been in progress over the monitoring period. From a regional point of view the most important of these is likely to be the Treasury-DTI-DCLG Review of sub-national economic development and regeneration. This is expected to be completed by the spring of 2007 and its conclusions, along with those of other reviews and reports, will be drawn into the Comprehensive Spending Review (CSR) which is due to take place in the summer of 2007, possibly following a change of Prime Minister. Certainly, any substantial changes to regional structures are likely to await these reports and the CSR. However, both the Treasury-led and DCLG-led strands of policy are at the heart of the developing agenda on regional structures and performance. Hence our review of structures begins with an examination of both of these before turning to consider developments in regional and regionalised bodies (notably development agencies, assemblies and Government Offices), London governance and city-regions.

1.1. The Treasury and Regionalism

The Treasury's concerns about regional policy have centred on the feed in to the CSR and the evaluation of the regional economic performance PSA target.

² DCLG, *Strong and Prosperous Communities, The Local Government White Paper*, 2006, p. 47 [henceforward referred to as *Prosperous Communities*].

1.1.1 Regions and the Comprehensive Spending Review (CSR)

In early 2006 each region and the Northern Way³ submitted advice to the CSR on how to use more effectively public expenditure and policy initiatives in order to enhance regional growth and regeneration. Some regions have backed this up with supplementary advice published in the autumn of 2006.⁴ In addition, in preparation for the CSR, the Treasury (with the DCLG and DTI) is conducting a Sub-national Review of Economic Development and Regeneration⁵ which centres on how to improve the effectiveness and efficiency of existing sub-national structures in England – including examining governance, accountability incentives and powers – so as to ensure that regional institutions are best able to assist the delivery of the Government’s regional economic performance PSA target. Work so far within the review has considered the Government’s understanding of the drivers of growth at the sub-national level, and the potential impacts of globalisation and technological change. According to the government the analysis:

reiterates the need for further devolution of responsibilities for economic development and regeneration so that all regions, localities and neighbourhoods can benefit from the move to a more knowledge-based economy.⁶

One of the objectives of the review is to achieve more effective engagement by the private sector in local economic development. Reforms are also likely to be needed so as to achieve greater alignment of funding streams, more consistency between strategies, and greater flexibility to regional and local levels. Greater co-operation is also likely to be sought between regions and sub-regions. Further indication of what might be in the review was revealed in October in a speech by the Financial Secretary to the Treasury, John Healey, to *Regeneration and Renewal* magazine’s Northern Regeneration Conference. He told delegates that the Treasury had reached the preliminary conclusion that a ‘greater focus is needed on the most deprived areas’, he

³ The Northern Way was established in 2004 as a way of coordinating economic development activities across the three Northern regions – the North West, the North East, and Yorkshire and Humberside. It centres on potential growth points and communication and transport links on an East-West/North-South basis across the three regions. The initiative is centred on the RDAs for the three regions with ONE-North East being the lead agency.

⁴ North West Development Agency and North West Regional Assembly, *Input to CSR 2007*, September 2006, at: www.nwda.co.uk/publications, and The Northern Way, *Comprehensive Spending Review Submission*, September 2006, at: www.thenorthernway.co.uk

⁵ For more information see: HM Treasury, *Terms of Reference for the Sub-national Review of Economic Development and Regeneration*, at: www.hm-treasury.gov.uk/media/63a/96/csr07_subnatecon_tor.pdf

⁶ HM Treasury, DTI and DCLG, *Regional Economic Performance: Progress to date*, December 2006, p. 28 at www.treasury.gov.uk.

confirmed the need for further devolution of decision-making to regions and cities and also argued for stronger links between economic and social regeneration, clearer regeneration objectives, and better alignment of different decisions at different levels.⁷ An important focus of the review is on the work of RDAs, including the DTI-led review of the RDAs (see section 1.3).

In addition to the Sub-national Review of Economic Development and Regeneration, the Treasury commissioned a number of reviews into aspects of economic development that will also feed into both the sub-national review and the CSR. The most significant of these from a regional point of view are the review of transport policy under Rod Eddington, the review of land-use planning under Kate Barker, the review of skills and employment under Lord Leitch, and the review of local government functions and finances under Sir Michael Lyons. The results of the first three reviews were published in December 2006.

The Eddington study was commissioned to examine the long-term links between transport and the UK's economic productivity, growth and stability. It emphasises the need to concentrate transport investment in the places that are important for the UK's economic success. Consequently it recommends that over the next 20 years the three strategic economic priorities for transport investment should be: key inter-urban corridors, congested and growing city catchments; and the primary international gateways that are showing signs of increasing congestion and unreliability. The report urges government to ensure that the delivery system is ready to meet future challenges and recommends reform of sub-national governance arrangements, including better regulation of the bus sector, and changes in the planning process affecting major transport projects through the introduction of a new Independent Planning Commission to take decisions on projects of strategic importance.⁸ The government has already announced that it will be proposing reforms to bus regulation and passenger transport powers in a draft bill in spring 2007 (see section 4.1 below). The Eddington review raises questions about the appropriate level for sub-national decision-making on transport issues and includes a concern that transport decisions should be determined at a geographical scale that adequately covers the functional economic area.

⁷ *Regeneration and Renewal*, 27 October 2006.

The review of land-use planning under Kate Barker was set up in 2005 to consider how planning policy and procedures could better deliver economic growth and prosperity. The report lays great emphasis on the timeliness and transparency of the planning process and the need to give appropriate weight to the economic benefits of development. It recommends a more simplified planning system with less policy guidance, greater certainty (proposing a reduction of ministerial call-ins by 50 per cent), and speeding up of appeals. The review calls on local authorities to work together and suggests that consideration should be given to how strategic planning powers can be operated at a level which better aligns land-use activities with administrative boundaries. The review proposes introducing a new system for dealing with major infrastructure projects, based around national Statements of Strategic Objectives and, as in the Eddington review, an independent Planning Commission to determine applications.⁹ Again, as also in the case of the Eddington review, the Barker review raises questions about the appropriate spatial level for different planning decisions.

The review of workforce skills and training was chaired by Lord Leitch and was set-up in 2004 with the task of identifying and outlining the policy implications of achieving the skills mix required by the UK by 2020 in order to maximise economic growth and productivity. The Review's recommendations propose significant changes to the way in which adult skills should be funded, managed and influenced. Most of these are recommendations that concern the Learning and Skills Councils (LSC). The review also raises questions about the management of 14-19 education, responsibility for which is shared between local authorities (14-16) and the LSC (16-19).¹⁰

The report of Sir Michael Lyons' review of the funding, role and function of local government was due at the end of 2006, but on 6 December the Chancellor announced a short extension to Sir Michael's Inquiry allowing him to consider the implications of the Eddington, Barker and Leitch reviews before finalising his report. A consultation is currently taking place and is due to be completed by 19 January. It is becoming clear

⁸ Rod Eddington, *The Eddington Transport Study*, December 2006, at: www.hm-treasury.gov.uk/independent_reviews/eddington_transport_study/eddington_main_report.cfm.

⁹ Kate Barker, *Barker Review of Land Use Planning: Final Report – Recommendations*, December 2006, at: www.hm-treasury.gov.uk/media/4EB/AF/barker_finalreport051206.pdf.

that the Lyons enquiry is giving more attention than originally envisaged to the role of local authorities in economic regeneration. Sir Michael is expected to produce his final report around the time of the 2007 Budget.¹¹

1.1.2 The PSA Target

In December 2006 the Treasury, DTI and DCLG published a review of progress on regional economic performance in keeping with the Treasury's over-arching PSA target to:

make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

The findings are carefully qualified in that there are only two years of Gross Value Added (GVA) data available. The key finding is that between 2003 and 2004 the bottom six regions grew on average by 1 percentage point more than the top three regions. In 2004 GVA per head grew by an average of 4.6 per cent for the North, Midlands and South-West regions. In the Greater South-East, this figure was only 3.5 per cent.¹² Yet, as the review notes, the full achievement of the regional economic performance PSA target will only be measurable over a complete economic cycle. The review concludes that there is:

- early indication of a narrowing in the gap in growth rates as shown by GVA per head data for 2003-04;
- but there remains a significant challenge to address productivity differentials between the top three regions and the bottom six.

As the review also concludes it is 'too early to say whether this recent narrowing reflects a narrowing in underlying trend growth', but at least it implies, after many years of growing disparity, the possibility of some movement in the opposite direction.¹³

1.2 Regions and the Local Government White Paper

¹⁰ Lord Sandy Leitch, *Leitch Review of Skills: Prosperity for all in the global economy – world class skills*, December 2006, at: www.hm-treasury.gov.uk/media/523/43/leitch_finalreport051206.pdf.

¹¹ See www.lyonsinquiry.org.

¹² *Regeneration and Renewal*, 15 December 2006

¹³ HM Treasury, *Regional Economic Performance*, p. 9, at: www.treasury.gov.uk.

The developing Treasury position on the role of sub-national governance in economic regeneration has run alongside the DCLG's concern about changes in administrative and representative arrangements at the sub-national level. Perhaps the most significant event in the period of this Monitoring Report was the much-anticipated publication by the DCLG of the local government White Paper. The big uncertainty was over whether it would promote and provide mechanisms for real city-regions, or revamp regions. This was thought to be a key battleground between supposed Brownite and Blairite wings of the Labour Party.¹⁴ In the event it fell short of these expectations, yet the paper's content has usefully been described as an important 'statement of intent...a roadmap for substantial devolution to local government' by Adam Marshall of the IPPR's Centre for Cities.¹⁵ The White Paper came well in advance of the Lyons inquiry into local government finance – raising questions about compatibility with Lyon's eventual recommendations. The Local Government Association (LGA), however, reacted positively to *Prosperous Communities*, praising the possibilities within the White Paper for devolution to a more appropriate level for economic governance:

we are very pleased both at the White Paper's proposals to reinforce Local Area Agreements and to develop Multi-Area Agreements. In particular, we think it is right for local government and RDAs to be covered by the duty to co-operate within LAAs. We expect that they will give a similar commitment to MAAs. Between these two kinds of partnership, we feel we can develop structures for cities, wider metropolitan areas, and shires that can be tailored to the real pattern of sub regional economies.¹⁶

The LGA also pledged to take forward second generation LAAs and the MAAs, and to engage in further debate about powers and funding at the sub regional level. It stressed, however, the need for tangible devolution to sub regional partnerships, noting that 'form follows function'; and its response was notably careful in its avoidance of the language of city-regions. The White Paper was also generally welcomed by New Local Government Network chief executive Chris Leslie, who argued that the Paper contained more substantial reforms than might have been expected by clarifying the relationship

¹⁴ Mark Sandford, *English Regions Monitoring Report: May 2006*, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Regions_May06.pdf

¹⁵ Adam Marshall, *Big ideas beneath Whitehall Jargon*, IPPR, at: www.ippr.org/centreforcities/articles/?id=2458.

¹⁶ Local Government Association, *Prosperous Communities, Beyond the White Paper*, 2006, p. 6.

between the centre and local authorities, enhanced powers for local government leadership, and ‘firing the starting gun on structural change’.¹⁷

1.2.1 Devolution and local government

Not surprisingly there is a general rhetorical commitment to devolution and localism. Stronger local leadership, better-joined up government and fewer targets are amongst the more substantial and likely lasting changes. The Secretary of State for Communities and Local Government, Ruth Kelly, stated in Parliament that: ‘Our clear, overriding principle is that the greater the powers devolved, the greater the premium on clear, visible leadership’¹⁸ A clear link is made between strong local leadership and the ‘wider *place-shaping role* advocated by Sir Michael Lyons...using ... [local authorities’] power to promote economic, social and environmental well-being’¹⁹. ‘Places need clear vision and strong leadership if they are to deal with constantly changing economic, social and cohesion challenges’²⁰. The White Paper betrays impatience with the slow pace of reform and argues for a move to more stable, robust and visible leadership. The White Paper promises legislation which would create a menu of three executive models of leadership: a directly-elected mayor (without the need for a referendum), a directly elected executive, as well as a conservative option of an indirectly elected leader with a four year term. A further check on weak leadership is intended with the insistence on a fixed four-year term for leaders.

The debate on structural reform has been tentatively re-opened by inviting two-tier councils – acknowledged to be unwieldy and expensive in some areas – to seek unitary status, while in areas where two-tier arrangements are retained they will be encouraged to adopt new improved two-tier models. The White Paper formally invites²¹ LAs in shire areas to make proposals for unitary government. In areas retaining the two-tier structure, ‘it will be essential for councils to secure more effective working arrangements between the council, district and community level in order to deliver improved accountability and

¹⁷ Chris Leslie ‘Does the White Paper pass the Litmus Test?’ NLGN, at: www.nlgn.org.uk/main.php?section_id=5&menu_id=3&mod=media_articles&article=317.

¹⁸ Ruth Kelly, *Commons Hansard*, 26 October, Col 1659.

¹⁹ *Prosperous Communities*, p. 47.

²⁰ *Prosperous Communities*, p. 54.

²¹ DCLG, *Invitations to councils in England to make proposals for future unitary status & to pioneer as pathfinders for new two tier models*, 2006, at: www.communities.gov.uk/index.asp?id=1504067.

leadership, increased efficiency, and improved outcomes'²². Such areas are expected to become 'pathfinders' and to develop 'innovative' governance arrangements which include unified service delivery and streamlined leadership. And finally, there is an extension of local authorities' powers of overview and scrutiny of local service delivery agencies, with a number of proposals to improve responsiveness to local concerns and to require more agencies outside of the local authority to co-operate with overview and scrutiny committees. The quid pro quo is a relaxing of targets and freedom from unnecessary inspection. Formal targets will be reduced from some 1,200 national targets and indicators to 200 national outcome indicators and around 35 targets.

These 35 priorities for improvement will be set through the key mechanism contained in the White Paper: the Local Area Agreement (LAA). It is a mechanism rather than a structure or institution and it is intended to be flexible and locally adaptable. With its roots in neighbourhood renewal and regeneration – since its introduction in 2004 – it will come to have a much broader, 'mainstreamed' role. The Local Authority has the key leadership – 'enabling' – role within the LAA. The next local government act, announced in the Queen's Speech and discussed in section 4 below, will provide the legislative framework for the next generation of LAAs. Other ideas for the local level relationship between citizens and authorities include the freedom to set byelaws – clearly with the intention that such freedoms make councils more responsive to local concerns, which chimes closely with the government's approach to antisocial behaviour and regeneration.

1.2.2 *The White Paper and City-regions*

It is clear that, contrary to expectations (see section 1.7 below), the city-region agenda did not come to fruition in the White Paper. The explicit message of the White Paper can be summed up by paraphrasing the title of Chapter 4: it is about 'strong cities' set within 'strategic regions', suggesting perhaps a tentative refocusing of economic development at the city level with regions envisaged more as strategic policy containers. In line with this, nothing new is proposed at the regional level, with only a brief mention of the government's current approach to regional policy in Chapter 4. It might seem that the playing down of the regional could herald greater devolution to cities. Certainly, attention

²² *Prosperous Communities*, p. 64.

is paid to the need for working at the 'more economically appropriate scale' of the sub-regional level, for example:

the RDAs and the Northern Way, in which the three Northern RDAs are working together to address supra-regional issues, have recognised the particular importance of enhancing the economic performance of cities and city-regions for delivering on the Government's regional economic performance agenda.²³

A more detailed reading of Chapter 4 indicates, moreover, that at least part of the case for city-regions has been integrated into current thinking:

Analysis suggests that closer alignment between the geography of economic governance/decision-making arrangements and the economic footprint of a city makes a positive contribution to economic performance. Across Europe and the UK, cities in which decisions are made at broader geographical levels do better than those where the city is tightly constrained.²⁴

It is recognised that city-regional spatial planning – on 'land use, economic and social development, transport, housing and the environment'²⁵ – is now needed in order to make further progress on sustainable economic development in English cities. City-regions are also viewed as an appropriate scale for linking economic development with action on poverty and deprivation, through improved transport and housing provision for example. However, the White Paper stops well short of advocating actual governance arrangements that might accompany policy making at the city-region level. The message of the White Paper must be that the almost complete absence of recommendations for how city-regions might be operationalised and governed suggests the government is still ambivalent about them, and unwilling to make the difficult argument for new structures and powers.

Instead a range of proposals building in part on already existing developments have been put forward, in the context of partnership and cross-boundary working between urban local authorities. These include three key initiatives which government is keen to encourage.

- *Multi-Area Agreements (MAAs)*

²³ *Prosperous Communities*, p. 74.

²⁴ *Prosperous Communities*, p. 79.

²⁵ *Prosperous Communities*, p. 80.

These are intended to 'facilitate greater cross-boundary co-operation [between adjacent local authorities] particularly on key economic development issues'²⁶. The Government expects that development of MAAs will be voluntary. It states that:

It will be for groups of authorities and their partners to develop and deliver the MAA, and ensure democratic accountability in the governance arrangements. They will be able to agree shared outcome-based targets drawn from the national indicator set and local priorities...Authorities and their partners will also be able to agree to pool funding to be used across the sub-region. These funding streams will need to be managed by a single accountable body nominated by the partners.²⁷

- *City Development Companies.*

These are aimed at assisting business and enterprise in the core cities by bringing together 'market intelligence, economic strategy and analytical and co-ordination functions, and boost business confidence in a shared, strategic approach across the area.'²⁸ They may 'operate across the functional economic area or city-region, with appropriate accountability arrangements at the city-region level'²⁹. In effect they are city or city-region wide economic development companies formed to drive economic growth and regeneration.

- *Skills and Employment Boards*

These would operate at the city-region level to 'assess the current and future skills needs of the local labour market to enable partners to plan more effectively to meet them'³⁰.

There is also likely to be reform of Passenger Transport Authorities and Executives, involving more powerful local authority representation and, as already noted, the White Paper raises the possibility for two tier authorities to become unitary ones.

Beyond these specific points and some general observations about the potentiality of city-regions, the White Paper frequently emphasises the need for any initiatives or re-ordering at the local, city level to be in keeping with regional economic strategies and

²⁶ *Prosperous Communities*, p. 69.

²⁷ *Prosperous Communities*, p. 89.

²⁸ *Prosperous Communities*, p. 81.

²⁹ *Prosperous Communities*, p. 82.

³⁰ *Prosperous Communities*, p. 83.

frameworks and in line with the work of regional agencies and most particularly with the RDAs. Notably there are no proposals in the White Paper to legislate on any items concerning city-regions only a pledge to consult on the city development company idea³¹.

It was widely suggested that when it came to the crunch DCLG balked at a full commitment to city-regions. A more positive interpretation, as suggested by the New Local Government Network³², is that the argument has been won for a much looser framework from central government which would allow for city-regions to develop at the local level in ways that best suit local authority participants. This undoubtedly would have the benefit that city-regions would continue to be 'off-radar' politically. Indeed, in the monitoring period it appears that this seems to be going ahead locally, with city-regions in the larger conurbations quietly coalescing on the ground. These developments are discussed further in section 1.7 below. In very clear terms, the White Paper defers further policy-making in this area to the forthcoming joint Treasury-DTI-DCLG review of sub-national economic development and regeneration.

1.3 Development Agencies

The second phase of the independent assessment of Regional Development Agencies (RDAs), conducted by the National Audit Office, was completed in late November. The NAO was tasked in the 2005 budget with carrying out Independent Performance Assessments (IPAs) of the RDAs throughout 2006. IPAs involve a mixture of self assessment, peer review involving a senior manager from another RDA, and validation of the evidence base by an external team of assessors. Each RDA is then scored on five criteria: ambition, prioritisation, capacity, achievement, and performance management. The NAO reported on the North West Development Agency (NWDA) and the East of England Development Agency (EEDA) in June. In November the South West Regional Development Agency (SWRDA) received a score of 18 out of 24, the South East of England Development Agency (SEEDA) received 21, and ONE-North East received 22 (see Figure 1). In summary, all the RDAs were rated as 'strong' on ambition, while their

³¹ The consultation was launched in late December, see DCLG, *The Role of City Development Companies in English Cities and City-Regions: A Consultation*, December 2006, at: www.CLG.gov.uk.

³² Chris Leslie, 'Does the White Paper pass the Litmus Test?' NLGN.

weakest criterion was capacity, in which SEEDA and ONE-North East scored 'well' and SWRDA scored 'adequate'³³.

Figure 1: Results of RDA Independent Assessment

	Theme	Assessment	Score
NWDA (June 2006)	Ambition	Performing strongly	4
	Prioritisation	Performing strongly	4
	Capacity	Performing well	3
	Performance Management	Performing well	3
	Achievement (doubled)	Performing well	3 (6)
	Overall Score	Performing strongly	20
EEDA (June 2006)	Ambition	Performing well	3
	Prioritisation	Performing adequately	2
	Capacity	Performing adequately	2
	Performance Management	Performing adequately	2
	Achievement (doubled)	Performing well	3 (6)
	Overall Score	Performing well	15
SWRDA (November 2006)	Ambition	Performing strongly	4
	Prioritisation	Performing well	3
	Capacity	Performing adequately	2
	Performance Management	Performing well	3

³³ The three latest NAO reports can be viewed at www.nao.org.uk/pn/06-07/0607_RDA_assessments.htm.

	Achievement (doubled)	Performing well	3 (6)
	Overall Score	Performing well	18
SEEDA (November 2006)	Ambition	Performing strongly	4
	Prioritisation	Performing well	3
	Capacity	Performing well	3
	Performance Management	Performing well	3
	Achievement (doubled)	Performing strongly	4 (8)
	Overall Score	Performing strongly	21
ONE (November 2006)	Ambition	Performing strongly	4
	Prioritisation	Performing well	3
	Capacity	Performing well	3
	Performance Management	Performing strongly	4
	Achievement (doubled)	Performing strongly	4 (8)
	Overall Score	Performing strongly	22

The remaining assessments of the RDAs for the East Midlands, West Midlands and Yorkshire and Humber, will be completed in March 2007. It seems likely that the NAO assessments will feed into the considerations for the Comprehensive Spending Review in 2007. As the Institution of Economic Development's Iain Mackinnon has said, the reports will aid the RDAs' case in the national review of economic development programmes mentioned throughout this report, but 'The Treasury has its own views and will not be hugely informed by the NAO'³⁴. It seems likely, however, that the RDAs' future is assured – at least if Labour stays in power (see section 2) – since the Treasury has maintained support for them and the Economic Secretary to the Treasury, Ed Balls, in particular has strongly defended both their record and their future role in regional

economic development. For example in a speech to the Manchester Chamber of Commerce he made it abundantly clear where the Treasury stands on the regional dimension to economic development:

There are still significant disparities both between regions and within regions...The answer to these challenges is not to dismantle our regional approach to regeneration and governance in England but to build on it... it would be a mistake to suggest that we have to choose between new powers for cities or local government on the one hand, and the current structure of regional and local economic decision-making on the other... we should not forget that in many parts of the country it has been the RDAs that have been instrumental in making [sub-regional, cross-boundary] co-operation start to happen. If we weaken the role of the RDAs, the losers would be the cities themselves³⁵.

In addition to evaluation of the RDAs, there was also the prospect of some further transfer of functions to them. In September trade and industry secretary Alistair Darling suggested that the business support funding role of the Small Business Service (SBS) would be given to RDAs. He criticised the SBS for being 'needlessly complex' and poor value for money. According to a report in *Regeneration & Renewal*, a Department of Trade and Industry spokeswoman said that Darling felt that practical support is best delivered locally by RDAs³⁶. The running of SBS's Business Links had already been devolved to RDAs in 2004, for example. In the event, the restructuring of SBS was announced by Margaret Hodge, Small Business Minister, in late October. The new SBS is intended to be an internally-focused expert policy unit on small business issues within the DTI's Enterprise and Business Group, with strong links to the Treasury. It will no longer deliver services directly, and hence will not need Executive Agency status. The majority of this restructuring process will be completed by spring 2007 when the implications of this for the ways in which devolved small business services operate will be clearer.

At the beginning of October One North East published its Regional Economic Strategy. The headline aim was the intention to increase the region's economic productivity, measured by gross value added per head of the population, from 80 to 90 per cent of the national average by 2016.

³⁴ *Regeneration and Renewal*, 1 December, p. 2

³⁵ HM Treasury, *Speech by Economic Secretary to the Treasury*, ed Balls MP, at the Manchester Chamber of Commerce, 5 October 2006, at: www.hm-treasury.gov.uk/newsroom_and_speeches.

³⁶ *Regeneration and Renewal*, Sept 22 p.1.

1.4 Government Offices for the Regions

Over the monitoring period Government Offices have continued to absorb the implications of the Review published in March which proposed considerable reductions in staffing levels (by one third by 2008) and more concentration on strategy building and less on grant management (see January 2006 report)³⁷. Very little has been made public during the monitoring period, so the longer-term impact of the review, particularly in light of the detailed work leading into the Comprehensive Spending Review in 2007, will need to be examined in future Monitoring Reports. One possible consequence of the Local Government Bill will be that Government Offices will have an oversight role to play in the expansion of Local Area Agreements.

1.5 Regional Assemblies

The monitoring period has been relatively quiet for most regional assemblies in terms of their public and political profiles. Assemblies continue with their core work, including, most importantly during the period, the preparation of Regional Spatial Strategies. The South West and South East were the last to submit their RSS in March 2006. Across the regional assemblies as a whole then, the Examinations in Public have been occurring across the monitoring period and into 2007. Figure 2 provides an indication of where the various assemblies are up to in the RSS process – as of late October 2006. Each of the regional assembly websites provides many documents in relation to the RSS Examination in Public process which can be downloaded.³⁸

³⁷ Mark Sandford, *English Regions Monitoring Report: January 2006*, p. 63, at: www.ucl.ac.uk/constitution-unit/research/devolution/Monitoring%20Reports/Jan06/English%20Regions%20Jan06.pdf

³⁸ For example: for the NWRA at http://rpg.nwra.gov.uk/documents/index.php?group_id=147&expand=145, and SEERA at www.southeast-ra.gov.uk/southeastplan/consultation/panel_and_eip.html#statements.

Figure 2: Status of the RSS Process in Each Region³⁹

Region and Document	Current Status	Estimated Likely Issue Date
East of England <i>RPG6/RPG9/MKSM SRS.</i> <i>RSS: 'East of England Plan'.</i>	Issued Nov 2000/Dec 2000/Mar 2005 respectively. EiP Nov 2005 to Mar 2006.	Issue in early 2007.
East Midlands <i>RPG8 partial review including relevant parts of MKSM SRS.</i> <i>Full RSS revision.</i>	Issued in March 2005 as RSS8. Issues Papers 'Options for Change' published in Oct 2005.	Was subject to minor change to housing numbers as result of a legal challenge. Submit to GO in Sept 2006, EiP April/May 2007, with issue in March 2008.
North East <i>RPG1.</i> <i>RSS: 'View: Shaping the North East'.</i>	Issued Nov 2001. EiP March/April 2006.	Issue early 2007.
North West <i>RPG13 partial review.</i> <i>RSS: 'The North West Plan'.</i>	Issued March 2003. Submitted to GO Jan 2006.	EiP Nov 2006, with issue late 2007.
South West <i>RPG10.</i> <i>RSS for the South West 2006–2026.</i>	Issued Sept 2001. Submitted to GO March 2006.	EiP Feb/Mar 2007, with issue in 2008.
South East <i>RPG9 including partial reviews/MKSM SRS.</i>	Issued March 2001 with partial reviews Issued July (Ashford & RTS) and Nov 2004 (renewable energy &	

³⁹ Figure taken from DCLG, *Evaluation of the Role and Impact of Regional Assemblies – Second Annual Interim Report*, 30 October 2006, Appendix A, p. 56.

<i>RSS: 'The South East Plan'.</i>	rec & sport), MKSM SRS Issued Mar 2005. Submitted to GO March 2006.	EiP Nov 2006 to March 2007, with issue Feb 2008.
Yorkshire & Humber <i>RPG12 partial review.</i> <i>RSS: 'The Yorkshire and Humber Plan'.</i>	Issued as RSS in December 2004. Submitted to GO in Dec 2005.	EiP Sept/Oct 2006, with issue in autumn 2007.
West Midlands <i>RPG11 complete review.</i> <i>RSS phased reviews:</i> <i>Phase 1 Black Country</i> <i>Phase 2 housing figures, employment land, transport & waste</i> <i>Phase 3 rural, recreation, environment, Gypsies & Travellers</i>	Issued June 2004. Options Nov 2005. 'Launched' Nov 2005. Work to start winter 2006.	Submission to GO May 2006. EiP Jan 2007, issue end 2007. Options Sept 2006 for submission to GO June 2007, EiP in early 2008 and issue in autumn 2008. Options summer 2007 for submission to GO in summer 2008.

Glossary: EiP = Examination in Public; GO = Government Office; MKSM = Milton Keynes South Midlands Growth Area; SRS = Sub-Regional Strategies; RPG = Regional Planning Guidance; RTS = Regional Transport Strategy.

Previous reports have rightly highlighted the most contentious of the RSS preparation processes – conducted by the South East England Regional Assembly. The South East Plan was taken to Examination in Public as planned in late November. Undoubtedly the key debate throughout the inquiry will be over the level of house-building in the plan. SEERA continues to maintain the figure of 28,900 per year until 2026 homes is desirable. The South East's RDA (SEEDA), on the other hand, would prefer a target between 36,000 and 46,000 homes. Following the opening of the Examination the house

building industry got their view in early, with the Home Builders Federation saying of the Plan:

There is a degree of uncertainty over projections, but the figure is so far short of what is required that it is not even cautionary. The risks of not providing enough homes are far greater than the risk of over providing.⁴⁰

It seems that this is merely an early skirmish in what is likely to prove to be a long term process of political negotiation, with uncertain outcomes. The issue of appropriate infrastructure provision continues to be key within the region: the Assembly was preparing in November-December a Regional Infrastructure Fund prospectus – proposing how infrastructure can be delivered – to be presented to the Treasury. There is also a potential political tension in all of this in that the South East Assembly is Conservative-led and the RDA is Treasury-appointed.

Indications are that the regional assemblies' role in promoting sustainable development identified in previous reports will continue to grow. The key intervention was the Defra report *Securing the Region's Future*, published in April 2006; which put forward a number of recommendations, which included:

- Supporting the role of Regional Development Agencies and regional assemblies in delivering sustainable development.
- Providing new guidance 'Essential Ingredients' to underpin regional high-level strategies (i.e. regional sustainable development frameworks, integrated regional strategies and integrated regional frameworks).

This is now becoming a rather complicated policy area, with convoluted linkages between the regional agencies and central government departments, perhaps necessarily given the cross-cutting nature of sustainable economic development. However, regional assemblies do appear to be assuming the lead role in this. They oversee the development of Regional Sustainable Development Frameworks and many have developed Integrated Regional Strategies which are designed to reduce duplication of strategies and promote sustainable development. It is likely that it will be some time before the results of this sustainability co-ordinating role become apparent. For its part, the English Regions Network, which represents the assemblies, claims that:

Regional Assemblies have developed a leading role in sustainable development policy...The Assemblies have already undertaken a good deal of innovative activity in this area on which DEFRA and its partners should build. The Assemblies are coming to the fore on the environmental dimension of sustainable development. Many have seized the initiative in embedding regional action on issues such as climate change and energy generation into planning policy and stimulating much needed debate within their region about options for the future⁴¹.

It is claimed that the assemblies are best placed to draw together partners and – given their statutory scrutiny role – subject ‘Regional Economic Strategies to comprehensive “tests” (environmental, social) that are a prerequisite for a sustainable approach to regional development.’⁴² A growing trend therefore should be a greater emphasis on sustainability in Regional Economic Strategies. An early example of both greater focus on environmental issues and joint working is the *Climate Change Action Plan for England’s Northwest*⁴³ produced by NWDA and NWRA. Policy work on climate change has also been strong in the North East and Yorkshire and Humber regions.

Another important concern is, not surprisingly, preparation for and input into the Comprehensive Spending Review. The ERN produced a report in November designed to present the assemblies’ case in the CSR, entitled *Adding Value to the Regions*⁴⁴, which not surprisingly argues for their continued role in the regional governance agenda. The core of their case is their growing confidence that assemblies provide accountability and legitimacy and are best placed to connect strategies and formulate policy at the regional level.

1.6 Greater London Authority

Following a review of the powers of the Greater London Authority and Assembly carried out in the early half of 2006,⁴⁵ a consultation by the DCLG on the proposed powers took place between 10 August and 2 November. The Queen’s speech on 15 November

⁴⁰ Pete Errington, HBF South East regional policy manager, quoted in ‘Cautious housing figures take flak’, *Planning*, 1 December 2006.

⁴¹ English Regions Network, *Adding Value to the Regions, Regional Assemblies and the Comprehensive Spending Review 2007: A Report to the English Regions Network*, 2006, p. 5.

⁴² English Regions Network, *Adding value to the regions*, p. 9.

⁴³ Available at: www.nwra.gov.uk/downloads/documents/.

⁴⁴ English Regions Network, *Adding Value to the Regions*.

contained a promise to legislate to increase the powers of the GLA. Consequently the Greater London Authority Bill was published on 28 November and received its second reading on 12 December. Broadly speaking the bill proposes more strategic powers for the Mayor in relation to housing and climate change, an extended role in land-use planning and waste, and enhanced powers in health and culture. On housing the legislation requires the Mayor to produce a London-wide housing strategy, indicating key housing investment priorities and the type and location of new affordable housing. Local housing strategies in London will be expected to be in general conformity with the Mayor's strategy and the Housing Corporation will be required to have regard to the strategy in carrying out its functions. On climate change the bill proposes placing a duty on the Mayor and Assembly to each tackle climate change, and in particular requires the Mayor to prepare and publish a London climate change mitigation and energy strategy. On land-use planning and waste the bill provides for new powers to be given to the Mayor to amend London boroughs' local development schemes and to determine planning decisions of strategic importance for the whole of London, and it places a requirement on London's waste authorities to exercise their functions in general conformity with the Mayor's waste management strategy. On health the bill requires the Mayor to publish a health inequalities strategy, and the GLA to pursue the reduction in health inequalities in exercising its powers. The bill also allows for the establishment of a separate budget for the Assembly and enables the Assembly to hold 'non-binding' confirmation hearings with candidates for statutory appointments proposed by the Mayor.⁴⁶ In addition to the additional powers enshrined in the GLA Bill the Mayor's new role in adult skills and employment in London through the creation of a London Skills and Employment Board is included in the Further Education and Training Bill. This was introduced to Parliament on 20 November with a Second Reading in the House of Lords on 13 December.

The proposed extension of powers to the Mayor had already brought a mixed reaction from the London boroughs. Initially in the summer of 2006 the then Association of London Government (ALG) (since October renamed London Councils) – representing the 33 London local authorities – argued that the plan to extend the Mayor's housing and

⁴⁵ Published in July 2006, see Mark Sandford, *English Regions Devolution Monitoring Report*, September 2006, pp. 21-23, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Regions_Sept06.pdf

planning powers 'poses a real threat to democracy' in that it would concentrate too much power at the centre in the hands of the Mayor. This stance was qualified later when the ALG Labour group let it be known that for them housing was not at issue, though they did have concerns about the planning powers. This clarified that the key issue of contention concerns the extra planning powers proposed for the Mayor: a point made evident in the London Councils' response to consultation published in November. This proposed that the GLA's planning decision-making process should be transparent, that any transfers of planning powers to the Mayor should not make the system more complex or create delays, that the number of cases where the Mayor needs to intervene should be kept to a minimum, and that his focus should be on key strategic issues and not more local matters.⁴⁷ The DCLG appears to have listened to London Councils' concerns over the extension of the Mayor's planning powers in the GLA Bill. During the Bill's second reading, the Government announced that the Mayor will only be able to consider a limited number of 'strategic' planning applications and that he will be able to take over an application only after the local council has made its own decision.⁴⁸ During the course of the debate a number of MPs called for the Government to publish its precise definition of what will constitute a 'strategic' planning application. The bill passed its Second Reading with a majority of 169 and then passed to the Public Bill Committee, a process scheduled to be concluded by 23 January 2007. It was also made clear that the detailed operational aspects of the new planning powers will be set out in secondary legislation, to be published in draft before the beginning of the committee stage in January.

The important clarifications made by the Government are contained in the statement by Yvette Cooper, the Minister for Housing and Planning, in introducing the second reading debate on the GLA Bill. She said that:

... transparency is critically important, and ... local community views about particular developments must be taken into account.... The Government believe that the overwhelming majority of planning applications should be determined by the boroughs, exactly as happens at present. We want there to be more constructive working between the boroughs and the Mayor on those

⁴⁶ Greater London Authority Bill, Bill 11, session 2006-2007 at www.publications.parliament.uk/pa/cm200607/cmbills/011

⁴⁷ London Councils, *Response to the Government's consultation on changes to the Mayor of London Order 2000*, November 2006, www.londoncouncils.gov.uk/doc.asp?doc=18669&cat=980

⁴⁸ Yvette Cooper, *Commons Hansard*, 12 December 2006, Col 756.

development proposals that go to the heart of implementing the London plan. In the vast majority of those cases, the borough involved will still take the final decision, but in a small number we think that the Mayor will be best placed to decide the final outcome. He should also be able to intervene positively, rather than just to say no.

The Government... have decided to make further amendments to the process. In particular, we now agree that it would be better for matters to be referred to the Mayor at a later stage. The boroughs would therefore have the initial lead on major developments too, with the Mayor able to intervene only on major strategic applications that go to the heart of the London plan.

...We do not think that the Mayor should take over applications at the beginning of the process, as proposed in the arrangement that we initially set out for consultation. ...it would be better for boroughs to make their decisions on an application before the Mayor decides ... whether he wants to intervene. We believe that that will provide a better parallel to the Mayor's current powers and give the boroughs the clear central role in dealing with a planning application and its impact on a local area. In addition, the approach that I have set out would limit the Mayor's intervention to those cases where strategic issues are at stake....⁴⁹

1.6.1 Other London Issues

Three other significant London related issues came to prominence over the period of this Report: Olympic costs, progress on Crossrail, and the Thames Gateway project.

Concern about the estimated costs of the 2012 London Olympics emerged in October following the resignation of Jack Lemley, the chair of the Olympic Delivery Authority (ODA), the body established to build the Games facilities. Lemley was later reported as claiming that costs were going up on an 'exponential basis'. In November Culture secretary Tessa Jowell informed the Department for Culture, Media and Sport Select Committee that the estimated cost of building the Games facilities had risen by £900 million. She suggested that it might be possible to take more money from the National Lottery, though she also confirmed that the Treasury is considering a contingency fund to cover the extra costs⁵⁰. London's original Olympics bid estimated the Games would cost £2.375 billion and the original understanding, agreed between the Government and

⁴⁹ Yvette Cooper, *Commons Hansard*, 12 December 2006, Cols 756-757.

⁵⁰ House of Commons, Committee on Culture, Media and Sport, Oral evidence (uncorrected transcript), questions 30-37, 22 November 2006, at: www.publications.parliament.uk/pa/cm/cmuments.htm.

the Mayor prior to the Olympic bid, envisaged cost overruns being met by the Lottery and London council tax payers. The £900 million is in addition to the extra £1-1.5 billion required by the Olympic Delivery Authority to pay for the regeneration of the Lea Valley area that surrounds the Games site. There was speculation in the press that the overall bill for the Games, including regeneration funding for the Lea Valley, could top £6 billion. A number of factors had led to the extra costs including increased construction and commodity costs, and failure to take into account possible VAT charges. In theory, under the original agreement, London council tax payers and the Lottery are liable for the extra £900 million, however, the Mayor and the Prime Minister have made it clear that they do not wish to see an extra burden on London tax-payers for staging the Games. The worry is that if the extra costs do fall on the Lottery this will significantly reduce the amount available for other 'good causes' both in London and the rest of the UK⁵¹.

The news about the extra Olympic costs led to press reports that the Treasury was considering postponing or even abandoning the east-west London rail link Crossrail. This was later denied by Ken Livingstone who said he had received reassurances about the future of Crossrail from Treasury minister Ed Balls⁵². In the meantime the Crossrail Bill continued its passage through Parliament with new Government amendments being tabled on 7 November and the committee hearings scheduled to be concluded in January.

The Thames Gateway interim regeneration plan was published in November and the Government announced plans to expand its Thames Gateway delivery team and to draw in officials from a range of government departments in order to help ensure backing for the project across Government.⁵³ The interim plan set out moves to create 180,000 new jobs and 160,000 new homes by 2016, with over a third of these homes – 35 per cent – designated as affordable housing and with an extra 40,000 in the London part of the Gateway. The final version of the interim plan – the investment and delivery plan – will be formally published following the 2007 Comprehensive Spending Review. The Thames Gateway is claimed to be Western Europe's largest regeneration project.⁵⁴ It is drawn together by a strategic partnership chaired by the minister for Housing and

⁵¹ *Regeneration and Renewal*, 17 November 2006, p. 1 and 24 November 2006.

⁵² *Regeneration and Renewal*, 1 December 2006, p. 6.

⁵³ *Regeneration and Renewal*, 24 November 2006, p. 2.

⁵⁴ *Plans for Greener, Family-Friendly Thames Gateway*, Communities and Local Government News Release, 2006/0150, 22 November 2006.

Planning in the DCLG – Yvette Cooper. The Government has since 2003 invested £7bn in the project.⁵⁵

In December the Mayor announced the outcome of the 12-week consultation on the GLA's housing targets for the Spatial Development Strategy for Greater London. The minimum target for housing provision is to be set at 30,500 additional homes per year over the next ten years until 2016-2017⁵⁶. According to the specialist press this is an increase of more than 33 per cent in London's annual housing provision target⁵⁷.

1.7 City-Regions

As already noted, the long awaited White Paper on local government, *Strong and Prosperous Communities*, disappointed many in its failure to take the regional agenda substantially forward and in particular to develop the project for city-regions. However, as noted in section 1.2.2 above, the White Paper does open up one or two opportunities for developing policies across conurbations and already authorities in some of the main population centres outside London are beginning to explore the possibilities of working together more closely. Further substantial progress on this front will have to await the outcome of the CSR in 2007 and will require further legislation if city-regions are to emerge as formally-constituted entities rather than very loose partnerships. In the course of these developments the main model of governance that seems to be emerging is what might be called the Manchester model with an executive cabinet made up of the leaders of each of the local governments in the city-region.

The failure of the White Paper to push the city-region issue more extensively is in part a reflection of the on-going review by the Treasury, DTI and DCLG of the arrangements for regeneration and economic development at sub-national level that will feed in to the 2007 Comprehensive Spending Review. In part also the Treasury position in favour of keeping the standard region framework in general and for the Development Agencies in

⁵⁵ Department of Communities and Local Government, *Thames Gateway Interim Plan: Policy Framework*, November 2006, paragraph 1.4.

⁵⁶ Mayor of London, *The London Plan: Spatial Development Strategy for Greater London: Housing Provision Targets, Waste and Minerals Alterations*, December 2006, www.london.gov.uk/mayor/strategies/sds/lon_plan_changes/docs-final/early-alts.pdf.

particular, was evident. This view had been expressed in a pamphlet written by two Treasury ministers, Ed Balls and John Healey, and the Director of the New Local Government Network, Chris Leslie, in July.⁵⁸ This view was re-iterated in the speech by Balls to the Manchester Chamber of Commerce on 5 October when he emphasised that any strengthening of cities should not mean any weakening of the existing RDAs.⁵⁹ Clearly this Treasury view played a significant part in the late stages of drafting the White Paper.

As well as a lack of momentum, there is also a lack of detail in the city-region proposals in the paper – again this runs contrary to expectations raised prior to publication. The Secretary of State, Ruth Kelly, has for long been said to favour the London model with a directly elected Mayor though it was clear that this would not be acceptable to some of the key potential city-regions, especially Manchester, Birmingham and Sheffield. Indeed at the Labour Party Conference in late September Kelly spoke warmly of the Manchester approach of an executive cabinet made up of all the leaders of the local authorities within the city-region with a leader elected from amongst them. She even promised that the Manchester model would ‘be ratified by Whitehall’ in the White Paper⁶⁰. In fact the White Paper does not ratify the Manchester model and has very little to say about city-regions’ governance arrangements other than a general commitment that in time the government will:

encourage stronger leadership models, including directly elected executives, indirectly or directly elected mayors, where such arrangements are supported locally as the Government believes in the principle that the greater the powers being devolved, the greater the premium on clear, transparent and accountable leadership. However, cities are all different – at different stages, with different resources and geographies and different ideas about how best to move forward. Our proposals will enable local authorities throughout the country, in cities, towns and counties to come up with solutions that go with the economic grain in each place⁶¹.

⁵⁷ *Architects Journal*, 20 December 2006.

⁵⁸ See Mark Sandford, *English Regions Devolution Monitoring Report: September 2006*, op cit., p. 14.

⁵⁹ HM Treasury, *Speech by Economic Secretary to the Treasury, Ed Balls MP, at the Manchester Chamber of Commerce*, 5 October 2006 at www.hm-treasury.gov.uk/newsroom_and_speeches.

⁶⁰ *Regeneration and Renewal*, 29 September 2006, p. 3.

⁶¹ *Prosperous Communities*, 2006, p. 90.

This statement needs to be placed in the context of the existing core cities' partnerships (representing the 8 largest English conurbations outside London) that have in any case been developing new governance arrangements in order to better manage and co-ordinate decisions across their city-regions. In the old 'Metropolitan County' city-regions these arrangements are being built on the mechanisms left over from abolition to assist cross-conurbation services and co-operation as in the case, for example, of the Association of Greater Manchester Authorities. Government, or at least the DCLG, is seeking to encourage these 'bottom up' initiatives, while also ensuring that they fit with the existing regional framework. Assuming that this movement maintains momentum, the expectation is that in time legislation will be required to create more formal arrangements in order to ensure effective direction and proper accountability. A key problem that remains is what to do with the idea of city-regions in areas outside the old metropolitan counties. Indeed extra legislation may be required if MAAs are to be available in these non-metropolitan areas⁶².

Already a number of core cities have submitted business plans to the DCLG on how their city-regions could be managed and governed. The pace of reform is both tentative and varied. The case of Greater Manchester is probably the most developed and has already been mentioned. Its plan is to create six strategic boards to direct policy on economic regeneration, transport, planning, health, crime, and environment. The ten metropolitan districts that comprise Greater Manchester will each send their leader to the executive cabinet and these will then select a city-region leader in a caucus in which they are unable to vote for themselves. However, the leader will have no executive power and decisions will be made collectively by the cabinet. In addition to greater Manchester, discussions concerning governance arrangements for a city-region are also taking place in Liverpool, Sheffield, Birmingham and Leeds. There has been much concern about boundaries and branding. For instance promoters of a new city-region in the West Midlands are to unite behind the cumbersome title Birmingham, Coventry and the Black Country city-region, ignoring consultants' advice to call it Greater Birmingham. The idea of a Sheffield City Business region also raised some resistance from representatives of Rotherham and Barnsley keen to maintain their own identity⁶³. In Liverpool there was division within the local authority on whether to build on existing Merseyside structures for co-operation or to create new machinery to govern the city-

⁶² *Regeneration and Renewal*, 3 November 2006, pp. 20-21.

region. In Leeds the City Regional Development Programme (LCRDP) was launched in November on the basis of informal efforts over the previous two years to try and unite the 11 councils at the core of the Leeds conurbation under 'one vision'. Following its formal launch, the LCRDP hopes to elect a chair and board of local leaders and put in joint bids to government to fund its plans. Having had its bid for Transport Innovation Fund money rejected in the week prior to its launch, there was much speculation as to whether the new body would have the clout and leadership capacity to be effective⁶⁴. Clearly there are a variety of cross-conurbation structures and initiatives that are emerging at a grass roots level. New legislation may be required if these tentative moves towards city-regions in the major conurbations are to get much beyond the level of enhanced consultation and co-operation.

1.8 Other Regionalised Agencies and Actions

The creation of new rural development machinery was covered in earlier English Regions Monitoring Reports⁶⁵. The main changes came to fruition on 1 October 2006 when Natural England, the integrated countryside and land management agency, and the Commission for Rural Communities, the independent adviser, watchdog and advocate for rural people were formally established, taking on their full statutory responsibilities. At the same time, as part of the wider Modernising Rural Delivery reforms, the Regional Development Agencies also took over the former Rural Development Service's socio-economic funding responsibilities. Natural England brings together English Nature, the Countryside Agency and the Rural Development Service. Its role is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations; thereby contributing to sustainable development. The Regional Development Agencies have taken on decision-making and funding for the delivery of rural economic and social regeneration, working in close partnership with local authorities and others. As well as clarifying accountabilities, this removes the unhelpful distinction between urban and rural regeneration.

⁶³ *Yorkshire Business Insider Magazine*, December 2006.

⁶⁴ *Regeneration and Renewal*, 24 November 2006, p. 3.

⁶⁵ Mark Sandford, *English Regions Monitoring Report*, January 2006, op cit., p.20 and May 2006, op cit., pp. 11-12.

A decision about merging English Partnerships (EP) with the Housing Corporation was rumoured to be in the offing towards the end of the year. Speculation followed the announcement in December that EPs chief executive, John Callcutt, was leaving in order to head a new government-sponsored review into delivering green housing. A review of the work of the two agencies and the possibility for amalgamation had been launched in April 2006 and the Treasury was said to be satisfied as to the cost-effectiveness of any such move. All that remains is for the Secretary of State, Ruth Kelly, to reach a final decision on the option and an announcement is expected in January 2007. If the merger does go ahead, the remit of the new housing body (provisionally titled Communities England) is expected to exclude the regulation of the social housing sector. The DCLG is intending to launch a separate review into the future of social housing regulation⁶⁶. What is not clear is the extent to which the new body, if it emerges, might be regionalised. Both EP and the Housing Corporation as presently organised are regionalised to an extent but on the basis of boundaries which are far wider than the standard regional boundaries.

⁶⁶ *Regeneration and Renewal*, 10 November 2006, p. 1 and 15 December 2006, p. 2.

2. Party Positions on Regional Issues

No ministerial changes took place during the period of this report which were relevant to the regions. Party political developments concerning regions were largely confined to fringe meetings at the conferences of the two major parties, though they were also clarified in regard to London government in the first reading debate of the GLA Bill.

At the Conservative Conference in Bournemouth in October the party's position on regional structures became marginally clearer. In particular the shadow communities and local government secretary, Caroline Spelman, pledged not only to abolish all the regional assemblies but also to allow businesses a referendum on whether to scrap the nine regional development agencies. She admitted that while her party is in principle opposed to regional quangos, some RDAs are performing well and are valued by business.

The Conservatives also announced that four senior regeneration specialists have been appointed as advisers to a party taskforce that has been set up to develop policies for cities and regeneration. They are architect Sir Terry Farrell, former Office of the Deputy Prime Minister permanent secretary Mavis MacDonald, regeneration consultant Angus Kennedy and the chief executive of Balsall Heath Forum, Dick Atkinson. The taskforce review, led by Lord Heseltine, is focusing on five key areas of policy, including the role of elected city mayors in promoting city development.

For the Liberal Democrats a working group on Local Governance reported in June 2006 which proposed collaborative working across local authority boundaries – where appropriate⁶⁷. The results of the party's policy review of regionalism is still awaited.

The Conservatives' position on extra powers for the Mayor of London was outlined by Jacqui Lait, the shadow minister for London, and Michael Gove, the shadow minister for housing, in the second reading debate on the GLA Bill. The parliamentary party voted against the bill on the grounds that it gave too much power to the GLA at the expense of

⁶⁷ Liberal Democrats, 'Your Community, Your Choice', Policy Paper 75, 2006, at: www.libdems.org.uk/party/policy/paperlist.html.

the boroughs. Lait maintained that the housing and planning proposals alone accounted for ‘...a naked grab of power away from locally elected authorities’.⁶⁸ Gove also expressed reservations about the Mayor’s accountability concerning the new powers to be granted to him.⁶⁹ In the same debate the Liberal Democrat spokesperson, Tom Drake, announced that his party broadly supported the Bill and would like to see further powers extended to the Mayor, including greater control over the capital’s rail network. He did, however, express concern that the planning clauses transferred too much power from the boroughs rather than central government.⁷⁰

⁶⁸ Jacqui Lait, *Commons Hansard*, 12 December 2006, Col 767.

⁶⁹ Michael Gove, *Commons Hansard*, 12 December 2006, Cols 826 and 830.

⁷⁰ Tom Drake, *Commons Hansard*, 12 December 2006, Col 778.

3. Public Attitudes, Identity and Research

During the period a number of research outputs anticipated in previous Monitoring Reports became available. Arup Economics and Planning's report for DCLG on the *Evaluation of the Role and Impact of Regional Assemblies* finally emerged. It argued that regional assemblies had continued to build on their key roles: those of scrutiny, planning and transport, policy development and regional co-ordination, partnership working and the 'Voice of the Region' role. The report noted that the round of regional plan making had been a success, particularly because it had expanded the evidence base which is 'much better than anything that has gone previously, as planning funding from DCLG to the Assemblies has been used to commission consultants to undertake specific studies and to strengthen in-house technical resources'.⁷¹ This has been particularly important in the controversial area of housing provision. It also noted that there had been a trend towards approaching policy work outside of the core transport and planning remit, although as previous Monitoring Reports have argued, it is uncertain whether this trend will continue. In policy terms, there was tentative support for further streamlining of regional assemblies' decision-making structures. The report also has useful appendices which contain information about the current activities, structures, and membership of the Assemblies.

As noted in the September report, the Audit Commission has been preparing a report, provisionally entitled *The Emerging Landscape of Regional Governance* – which was due to be published in the autumn of 2006. It is now likely to be published early in 2007, giving the Commission time to take into account some of the implications of the White Paper, in particular the chapter on cities and regions. Books mentioned in recent reports include *Devolution and Regionalism: the UK Experience* (edited by John Mawson and Bradbury) which should appear late in 2007; while *The Northern Veto* (edited by Mark Sandford) is still to appear. However, *The Rise of the English Regions?* (eds. Hardill, Budd, Benneworth and Baker – Routledge) was published in late September.

Research by influential government advisor Paul Hildreth in October added to the ongoing city-regions debate. In a paper on the roles and economic potential of English

⁷¹ DCLG/Arup Economics and Planning, *Evaluation of the Role and Impact of Regional Assemblies*, 2006.

medium-sized cities Hildreth argued that cities close to London should capitalize on links to the capital rather than attempting to pursue unique economic development strategies. Towns outside of London's principle sphere of influence need to 'look outwards' and collaborate with other settlements in their sub-region or city-region on co-ordinated strategies. In common with much academic research over the years – and the government's sustainable communities and 'liveability' agendas – the report also argues that attractive assets, such as river and canal frontages and medieval streets place towns at an economic advantage.⁷² Also on the theme of city-regions, and emerging from work sponsored by the ESRC and DCLG, is Sara Gonzalez's paper *The Northern Way. A celebration or a victim of the new city-regional government policy?*⁷³ The paper describes the main proposals and assumptions, as well as the achievements and shortcomings of the Northern Way. It is critical of the project's failure to present a genuinely transformative new regional policy.

An interesting gauge of public sentiment towards regional devolution was carried out two years on from the rejection in the North East of proposals for an elected assembly, in a poll for the BBC's Politics Show. October's Mori poll was based on 750 phone interviews with residents in the North East Region aged 18 and over, and in general found that there was support for greater devolution to the region. Relevant points included:

- That three-quarters of those who responded said they thought the North East was worse off than London, both financially and in how well it is represented at Westminster;
- more than half of the respondents said they did not get their fair share of government spending;
- some 69 per cent expressed a desire for more control over areas including transport, the environment and economic development – 42 per cent strongly;
- voters expressed a dislike of existing regional assemblies, with only around 20 per cent of respondents saying they do a worthwhile job;
- yet half of those questioned backed the idea of elected city mayors, as proposed in the local government White Paper.

⁷² Paul Hildreth, *Rules and Economic Potential of English Medium-Sized Cities: A Discussion Paper*, available at www.surf.salford.ac.uk

⁷³ Available at www.geog.leeds.ac.uk/people/s.gonzalez

These results prompted the BBC to suggest that people in the North East had ‘warmed’ to the idea of regional devolution and that the majority supported some form of devolved power⁷⁴. What is more apparent is the distinct possibility that a long-term public groundswell of support for greater control over ‘local’ issues runs concurrently with deep distrust of politicians, political structures, and regional institutions. In many ways then, the poll suggests that little has changed in the two years since the referendum, suggesting that people like the sound of devolution but fear what they suspect will be the reality.

Also noteworthy are the results of an ICM poll published in late November which posed questions about Scottish and English nationalism. The poll found that 52 percent of Scots and 59 per cent of English respondents supported full Scottish independence. But more importantly in this context and as the Telegraph noted:

There is also further evidence of rising English nationalism with support for the establishment of an English parliament hitting an historic high of 68 per cent amongst English voters. Almost half – 48 per cent – also want complete independence for England, divorcing itself from Wales and Northern Ireland as well.⁷⁵

There appears to be an interaction with the so-called West Lothian Question: for example 62 per cent of English voters want Scottish MPs to be barred from voting at Westminster on English issues.⁷⁶ While all such polls, and the way these issues are presented in much of the media, must be treated with caution, it will nevertheless be important to monitor how an apparent growth in support for the concept of an English parliament may impact on the already negative popular perceptions of English regional governance, and accompanying scepticism towards further regional reform.

⁷⁴ See BBC News, at: <http://news.bbc.co.uk/go/pr/fr/-/1/hi/uk/6115912.stm>.

⁷⁵ See The Telegraph, www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/11/26/nunion26.xml.

⁷⁶ This issue is discussed in Akash Paun (ed.), *Devolution and the Centre Monitoring Report: January 2007*, section 1, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Centre_Jan07

4. Regions In Parliament

As noted in previous reports, The Communities and Local Government Select Committee's concluded its inquiry – 'Is there a future for regional government?' – in the autumn. The resulting report was not published in November as previously hoped, but should be released in spring 2007.

4.1 Regions and the Parliamentary Programme

The Queen's Speech was read on the 15 November. Proposed legislation for the forthcoming Parliamentary session of relevance to this report is the following:

- The Local Government Bill – allowing all councils to choose from three models of leadership; extending council leaders' terms to four years; devolving the making of byelaws to councils and giving them the power to ratify new parish councils; enabling communities in London to set up parish councils; and not least, providing the legislative framework for Local Area Agreements. (See section 1.2 above)
- The Greater London Authority Bill – granting new powers to the GLA and the Mayor (see section 1.6 above)
- The Further Education and Training Bill – provides for a London Skills and Employment Board and will streamline and restructure the Learning and Skills Council (LSC) by replacing the 47 local LSCs with nine Regional Councils.
- The Road Transport Bill – the main implication in this context are provision for the reform of Passenger Transport Authorities and Executives, to enable a more coherent approach to transport to be taken in major English cities. As indicated in the Local Government White Paper, this will include more powerful local authority representation on the Passenger Transport Authorities. The Bill will also allow the development of congestion charging schemes.

Though not in the Queen's Speech, the Crossrail Bill continues its passage through Parliament. This hybrid (public-private) bill aims to secure the necessary powers to construct Crossrail, an east-west rail link across London. The bill was carried over from the 2001-05 Parliament in April 2005 and will now be carried over into the second session of the current Parliament.

None of these legislative items seems likely to present substantial difficulties for the Government. The proposals from the local government White Paper requiring legislation are in the Local Government and Public Involvement in Health Bill, which had been trailed in the Queen's Speech as the Local Government Bill (mentioned above). This was published and presented with its first reading on 12 and 13 December, but has yet to be debated. The Draft Road Transport Bill is due to be published in spring 2007.

4.2 Parliamentary debates

Not surprisingly the key areas of discussion in Parliament during the period were following the Local Government White Paper and the Queens Speech. In December there was the second reading of the GLA Bill (see section 1.6 above). The Secretary of State for Communities and Local Government, Ruth Kelly, presented her statement on the White Paper on 26 October, without further surprises. Ruth Kelly's Shadow, Caroline Spelman criticised the White Paper's timing vis-à-vis the Lyons and Barker reviews, arguing that the lack of attention to finance meant there were no tangible changes that might benefit ordinary people 'who are not interested in the machinery of local government or its incomprehensible jargon'. Returning to a familiar Conservative theme, she argued that:

The White Paper is toothless, because it is a series of compromises and halfway houses. Does the Secretary of State appreciate that the rhetoric on localism will be treated with scepticism, because of the poisoned chalice that she received from her predecessor's obsession with regions? Month by month, more power and money is going to regional quangos, bypassing local councils. Until unelected regional assemblies are abolished and powers are returned to elected local councils, those localist pledges are not worth the paper on which they are written.⁷⁷

She also attacked the 'fudge' that was a result of the Prime Minister's preference for directly elected mayors and the Chancellor's opposition to them, and the general timidity of the White Paper on the matter of devolution. Andrew Stunnell for the Liberal Democrats criticised the White Paper for not taking local communities' alienation and disconnection from decision-making seriously, and not returning funding and powers to local government. The public's ability to reject the option of a mayor has been taken away. Again, the lack of substance on city-regions was highlighted:

One of the most talked-up parts of the White Paper was the part relating to city regions. My question to the Secretary of State is simple: what happened to it? If the mayors are in because of No 10, city regions seem to be out because of No. 11. What exactly has the city regions project to do with the Treasury, and how has the Secretary of State let the Treasury get its hands on it?⁷⁸

In response Ruth Kelly claimed that 'The White Paper sets out a clear direction for city-regions', citing the development of city development companies, multi-area agreements and consideration of further devolution to city-regions in the run-up to the comprehensive spending review.⁷⁹ Cross-party bemusement on the lack of clarity on city-regions was evident later in the debate. A detailed question from David Curry (Con) about whether there would be real restructuring around city-regions evinced an answer from Ruth Kelly that suggests much work remains to be done on shaping the city-regions agenda:

The White Paper proposes employment and skills boards and city development companies in cities that want them. It will set out the clear principle that the more powers to be devolved, the greater the premium on transparent, visible leadership. The Leitch review is looking at skills and the Eddington review is looking across the board at transport, and we will come back with specific proposals for each city.⁸⁰

Not surprisingly the debate following the Queen's Speech on the 15 November was less focused on regional issues. There was some mention of the forthcoming Local Government Bill announced in the Queen's Speech. A Labour backbencher was discontented about the prescriptive nature of the options for local government reform:

Despite the lack of demand and the experience so far, it appears that there is to be yet another attempt to manoeuvre local authorities in the direction of elected mayors. How can we accept that more power is to be devolved from the centre, when the centre is being so prescriptive in the direction that change should take?...I hope that the local government Bill outlined in the Queen's Speech will recognise the valuable contribution our locally elected representatives make to our society.⁸¹

As already noted, most Conservative MPs opposed the proposals for enhanced powers for the Mayor of London announced in the GLA Bill, seeing it as further centralisation

⁷⁷ Caroline Spelman, *Commons Hansard*, 26 October, Col 1660.

⁷⁸ Andrew Stunell, *Commons Hansard*, 26 October, Col 1663.

⁷⁹ Ruth Kelly, *Commons Hansard*, Col 1664.

⁸⁰ David Curry, *Commons Hansard*, 26 October, Col 1669.

⁸¹ David Clelland, *Commons Hansard*, 15 November, Col 60.

and an attack on local democracy, particularly for suburban local authorities. A Labour backbencher criticised both the regional spatial strategy for the North East and the existence of the regional assembly. The latter was considered an anomaly after its rejection by voters, and it was argued both should be abolished by the Local Government Bill.

Other mentions of regions in Parliament were more incidental. The main area of connection with the regional agenda was in the significant debates over housing in the period. For example, in the debate on Affordable Housing, Housing Minister Yvette Cooper scored political points:

regional assemblies across the country are proposing increased house building. As the hon. Member for Southport (Dr. Pugh) said, this affects not only London and the south-east but areas such as the north-west, the north-east, and Yorkshire and Humberside. We should be building additional homes in every part of the country. It is a shame that the only regional assembly to propose cuts in the level of house building is the Conservative-led south-east regional assembly.⁸²

Likewise, the Conservatives continued to snipe over regional bodies; particularly asking questions about the funding given to regional assemblies, and questioning their role and effectiveness. On 30 November Caroline Spelman asked if the Treasury would make an Order under section 25 of the Government Resources and Accounts Act 2000 for the accounts of the regional chambers to be audited by the Comptroller and Auditor General. In response to another Conservative question on 22 November, the Minister of State, Department for Constitutional Affairs, Vera Baird rather succinctly stated Government's current position on regional governance:

The creation of the London Assembly and Greater London Authority in 2000 has enabled more effective local decision-making. However, there is not at present, a strong desire from people in England for further devolution of powers at a regional level.⁸³

⁸² Yvette Cooper, *Commons Hansard*, 7 November, Col 508.

⁸³ Vera Baird, *Commons Hansard*, 22 November, Col 90W.

5. Regeneration and Location Policy

In addition to items mentioned in the earlier sections of this report – notably the Thames Gateway project and the London Olympics (see section 1.6.1 above) – there were at least three other key developments which raised significant regeneration and location policy questions. (1) Developments concerning the Northern Way; (2) actual and imminent location decisions concerning the siting or re-siting of national facilities; and (3) claims about the changing regional distribution of English partnerships' budget between London and the South East and the rest of England.

The Northern Way project was launched in September 2004 by the then Office of the Deputy Prime Minister (ODPM) and is intended to assist regeneration across the three northern regions and to help close the £30 billion productivity gap between the North and the South. There was much speculation in the late summer of 2006 as to the survival of the project, which is backed by the RDAs in the North West, the North East and Yorkshire and Humberside as well as central government. This was followed in October with the announcement that Vince Taylor, director of implementation at the Northern Way was leaving. It was not clear at that stage whether there would be a permanent replacement for Taylor or indeed whether the eight-strong secretariat would be retained. Charlotte Carpenter, on secondment from the North East RDA (One North-East) was appointed as interim director through to March 2007. In November following a review of the utility of the initiative it was decided that a full administrative team would be kept in place and that a new director would be appointed but with a more strategic role. A re-vamp of the project sees it narrowed down to focus on three key areas – innovation in industry, transport, and increasing private sector investment in regeneration. These were the three areas identified as the ones where pan-regional activity can add most value towards closing the productivity gap. These new arrangements mark a change in the role of the Northern Way away from project delivery and more towards analysis and influence. The Steering Group partners, drawn from each of the northern regions, agreed that in future the Northern Way:

should act as a mechanism to improve our understanding of the Northern economy, how it operates, its contribution to the productivity of the UK and how

this contribution can be increased, including how we can create conditions for growth.⁸⁴

Decisions about the location of national facilities centred on three projects: the designation of a national or 'super' casino, the move of some BBC staff and functions from London to Salford, and the funding of new Biomedical Research Centres. Decisions on the first two projects were awaited in the autumn of 2006 but have been postponed with final judgments expected in late January 2007. The casino advisory panel has been tasked by the Department for Culture, Media and Sport (DCMS) to choose a site for the supercasino from a shortlist of seven locations: Blackpool, Cardiff, Glasgow, Greenwich, Manchester, Newcastle and Sheffield. The casino is expected to have large regeneration benefits and to provide a boost to the economy of whichever area is chosen. The panel will also make recommendations on the siting of 16 smaller casinos. The BBC transfer to Salford has now cleared the hurdle of approval by the BBC Governors, but the key issues remain whether the moves represent value for money for licence fee payers and whether they are affordable.⁸⁵ And these are issues that can only be addressed by the BBC once the level of the new licence fee is agreed with the government. A final clarification of the BBC position is expected in the New Year. It is unlikely, however, that the BBC will resile on their promise to re-locate some staff to the North, though it is possible the numbers will be less than originally promised and the move may take place a little later than originally envisaged. In December the Department of Health announced the creation of eleven new Biomedical Research Centres to be funded to the tune of £450 million over the period 2007-2012. These are intended to drive the development and up-take of new and improved ways of preventing and treating illness. Both in terms of the delivery of their core research function and in spinning off commercial applications from that research, these initiatives are likely to have a substantial regeneration effect on the local economies of the areas in which they are to be located. The bulk of the money will go to five comprehensive research centres which will work across a range of research areas – three of these will be in London, one in Cambridge and one in Oxford. The other six centres will be specialist research centres which will work in a specific

⁸⁴ Northern Way, *Northern Way Focuses for Success*, 12 December 2006, at: www.thenorthernway.co.uk/news.asp?id=216.

⁸⁵ 'BBC's Salford move looks likelier' *North West Business Insider Magazine*, January 2007.

research area – four of these will be in London and, one in Liverpool and one in Newcastle-upon Tyne.⁸⁶

Questions about the regional distribution of English Partnerships (EP) funding were raised in a survey published in *Regeneration and Renewal* magazine⁸⁷. This shows that in the financial year 2001-02 just 31 per cent of EP's project budget was spent in the South. But by financial year 2005-06, southern spending had risen seven-fold, taking 59 per cent of the agency's budget. The shift has largely been caused by extra funds given to EP to enable housing growth in the South. While the numbers demonstrate a marked proportional shift in favour of the South, they also show real investment doubling in the North and Midlands – moving from £105 million in 2001-02 to £216 million by 2005-06. Only the budget for Yorkshire and Humberside has fallen, from £25 million in 2001-02 to £16 million in 2005-06. However, EP denied it has shifted priorities to the South, and said provisional budgets for the next few years show funding swinging back to the North.

⁸⁶ Department of Health, *New Health Research Centres of Excellence Announced*, 8 December 2006, press release 2006/0384, www.dh.gov.uk/PublicationsAndStatistics/PressReleases/fs/en.

⁸⁷ Special Report, *Regeneration and Renewal*, 1 September 2006, p. 20.

6. EU Issues

The broad outlines of the new European structural funds settlement and allocation were reviewed in the last issue of this report.⁸⁸ This pointed out the distinction to be applied in the next round of funding (2007-13) between convergence funding for the most needy areas (notably Cornwall and the Isles of Scilly) and competitiveness funding which will apply to areas of need in the rest of England and the UK. In October the DTI published the details of the broad funding allocations by area for the period 2007-2013. Under the new dispensation the UK is set to lose over 40 per cent of the European Union regional aid that it previously enjoyed with the UK's share of European structural funding set to drop from €15.9 billion (£10.7 billion) for 2000-06 to €9.6 billion euros (£6.4 billion) for 2007-13.⁸⁹ The allocation followed a consultation exercise about the distribution of competitiveness funding and under new EU rules has to be fitted within the UK's National Strategic Reference Framework for Structural Funds Programmes which lays out the broad priorities for spending in the next round. This national strategy establishes three such priorities for the new programmes: enterprise and innovation, skills and employment, and environmental and community sustainability. Within this framework the Government decided that the UK's mainstream competitiveness funding should be divided equally between the European Regional Development Fund (for regional development) and the European Social Fund (for promoting employment) at the UK level. South Yorkshire and Merseyside are being treated as a special case as they are defined as 'phasing-in competitiveness regions' entitled to a more substantial level of subsidy: £276 million and £313.5 million respectively. Both received Objective 1 funding between 2000 and 2006 but the improvement of the two economies means that they no longer qualify for the equivalent to objective 1 – convergence funding. Consequently 60 per cent of the phasing-in competitiveness funds for South Yorkshire and Merseyside will be allocated to the ERDF and 40 per cent to the ESF. The government will also apply a cap and safety net to limit the change in each region's proportion of funding in comparison with 2000-2006. This is intended to protect regions from particularly heavy reductions in their proportion of funding. The precise distribution for England will be as follows.

⁸⁸ Mark Sandford, *English Regions Monitoring Report*, September 2006, op cit., pp. 25-26.

⁸⁹ *Regeneration and Renewal*, 27 October 2006, p. 2.

England will receive a total of €4.2 billion or €91 per capita in Competitiveness funding. Within England, the funds will be focused on the six underperforming regions, which will receive €121 per capita on average, or 73% of England's share of the funds. The richer English regions will receive lower allocations, reflecting their stronger economic position, but allowing them to tackle pockets of deprivation. For example, the three regions of the Greater South East will receive on average €54 per capita. Cornwall will also receive €579 million of Convergence funding, agreed at the EU level.⁹⁰

At the same time the government set out the key arrangements for delivering the funds during the 2007- 2013 period. In England, the RDAs will take a leading role in delivering regional ERDF programmes, working in partnership with local interests. On ESF the Regional Skills Partnerships will 'play an active role in setting strategies for ESF spending in the English regions within the context of a national English ESF programme'. By these means it is hoped that the two funds can be more 'easily aligned to meet defined local and regional needs'.⁹¹ Overall the changes mark a considerable diminution in the funds available. The extent to which the new National Framework and the emphasis on ESF funding will lead to a greater nationalisation of regional funding remains to be seen. The intention is that for ERDF funds at least the allocation process should be attuned to and be in line with already developed regional strategies and priorities.

In October the final version of the new UK map of assisted areas for 2007-2013 was published by the DTI after a period of consultation. This map sets out the areas that under EU rules qualify for assisted areas status. In these areas it is legal to offer regional state aid to businesses to help create or safeguard jobs. In drafting the new map the European Commission has required a reduction to about 24 per cent in the amount of the UK population qualifying for assisted area status (previously 31 per cent had qualified). Seventy-five electoral wards have appeared on the new map that were absent from the draft published in July and, in compensation, a similar number have been

⁹⁰ Written Statement to Parliament, The Minister of State for Industry and the Regions (Mrs Margaret Hodge), National Strategic Reference Framework for EU Structural Funds Programmes 2007 – 2013, *Commons Hansard*, 23 October 2006: Col 73WS. All allocations are in 2004 prices and are total allocations for the 2007-2013 period.

⁹¹ Margaret Hodge, *Commons Hansard*, 23 October 2006: Col 74WS.

omitted.⁹² The final map also contains sections of East Lancashire and North Wales that have been designated for the first time.⁹³

⁹² New UK Map of assisted areas heeds concerns', *Regeneration and Renewal*, 13 October 2006, p. 19.

⁹³ The new assisted areas map can be found at: www.dti.gov.uk/regional/assisted-areas/assisted-areas-review/page31762.html.

7. Finance

Regional inputs into the UK public expenditure process are being facilitated through the Comprehensive Spending Review process which is due to come to fruition in the summer of 2007. Until that happens there is nothing new or substantial to say about finance.

8. Local Government

The main developments affecting local government were the publication of the White Paper, *Strong and Prosperous Communities*, and the subsequent Local Government and Public Involvement in Health Bill. These set out new governing structures, electoral cycles and requirements for community involvement and scrutiny. They also promised local authorities extra powers to create byelaws and fewer centrally imposed targets. In general the legislation seeks to open up opportunities for local authorities to amalgamate and/or co-operate with other adjacent authorities and to develop structures at neighbourhood level. These initiatives have been examined in detail earlier in this report (see sections 1.2 and 1.7.) and do not require further examination here except to say that while new opportunities for amalgamation and re-structuring have been opened up, whether local authorities have the will and the resources to make full use of them remains open to debate.

Also of great potential relevance to local government is the report of the inquiry being chaired by Sir Michael Lyons into the funding, role and function of local government. As noted above (section 1.1) Sir Michael has agreed to delay completing his inquiry so as to take into account the implications for local government of the Eddington, Leitch and Barker Reviews⁹⁴. As a consequence Sir Michael's report is now due for publication in the spring of 2007. The contents of his review and the development of the agenda set out in the White Paper will need to await a future issue of this Monitoring Report.

⁹⁴ Lyons Inquiry into Local Government, *Promoting Economic Prosperity: Considering the Implications of Eddington, Barker and Leitch – Questions for Stakeholders*, 6 December 2006, at: www.lyonsinquiry.org.uk.

9. Conclusion

The watchword of many earlier reports in this series has been ‘uncertainty’; about what Government – or parts thereof – was seeking to achieve through sub-national policy and institutional changes, how they related to its broader aspirations and targets, how robust actual and proposed changes were likely to prove, and who, outside the political and policy communities, either understood or cared. Whilst it would be an exaggeration to suggest that clarity has now been achieved, the foregoing analysis suggests, at the very least, that some important ‘battle lines’ have now been established which will determine the way in which debate proceeds between now and the conclusion of the forthcoming spending review. The fact that the outcomes of CSR07 will be taken forward under a new Prime Minister makes this period still more critical.

In broad terms, there continues to be significant tension between one ideal-typical approach to devolution and decentralisation in England which would effectively relieve Government of responsibility for micro-economic management and its spatial implications and leave them to sub-national organisations and interests, and another which sees sub-national policy and institutional reform as a prerequisite for striking a better balance between the spatial development aspirations of national government and the sub-national capacity needed to deliver related outcomes more effectively. Much of the detail associated with either of these broad approaches remains to be filled in and much expectation is being loaded upon the series of reviews commissioned by Government to inform the Comprehensive Spending Review and the capacity of the Treasury to make sense of them. Compared to where the future of ‘devolution’ in England stood two years ago, however, it might just be that there is light at the end of what has been a very long tunnel.

DEVOLUTION
MONITORING
PROGRAMME
2006-08

English Regions Devolution Monitoring Report

April 2007

Martin Burch, Alan Harding and James Rees
Institute for Political and Economic Governance
University of Manchester

ipeg

Institute for Political and
Economic Governance
at The University of Manchester

The Devolution Monitoring Programme

From 1999 to 2005 the Constitution Unit at University College London managed a major research project monitoring devolution across the UK through a network of research teams. 103 reports were produced during this project, which was funded by the Economic and Social Research Council (grant number L 219 252 016) and the Leverhulme Nations and Regions Programme. Now, with further funding from the Economic and social research council and support from several government departments, the monitoring programme is continuing for a further three years from 2006 until the end of 2008.

Three times per year, the research network produces detailed reports covering developments in devolution in five areas: Scotland, Wales, Northern Ireland, the English Regions, and Devolution and the Centre. The overall monitoring project is managed by Professor Robert Hazell and Akash Paun at the Constitution Unit, UCL and the team leaders are as follows:

- Scotland: **Peter Jones**
Honorary Senior Research Fellow, The Constitution Unit, UCL
Former political correspondent for *The Economist*
- Wales: **Dr Richard Wyn Jones & Dr Roger Scully**
Institute of Welsh Politics, University of Wales, Aberystwyth
- Northern Ireland: **Professor Rick Wilford & Robin Wilson**
Queen's University, Belfast
- English Regions: **Martin Burch, Alan Harding & James Rees**
IPEG, University of Manchester
- The Centre: **Professor Robert Hazell**, The Constitution Unit, UCL
Akash Paun, The Constitution Unit, UCL

The Constitution Unit and the rest of the research network is grateful to all the funders of the devolution monitoring programme.



WALES OFFICE



Scottish Executive

All devolution monitoring reports are published at: www.ucl.ac.uk/constitution-unit/research/devolution. Contact Akash Paun on a.paun@ucl.ac.uk for further information.

English Regions Devolution Monitoring Report

April 2007

Martin Burch, Alan Harding, and James Rees

LIST OF FIGURES	6
ABBREVIATIONS AND ACRONYMS.....	6
EXECUTIVE SUMMARY	8
CHRONOLOGY OF KEY EVENTS – JANUARY TO MARCH 2007	10
1. MAIN DEVELOPMENTS	11
2. REGIONAL STRUCTURES.....	13
2.1. The Treasury and Regionalism	13
2.2 Select Committee Report on the Regions	16
2.3 Development Agencies	19
2.4 Government Offices for the Regions	21
2.5 Regional Assemblies.....	21
2.6 Greater London Authority	24
2.7 City-Regions	28
2.8 Other Regionalised Agencies and Actions.....	33
3. PARTY POSITIONS ON REGIONAL ISSUES.....	36
4. PUBLIC ATTITUDES, IDENTITY AND RESEARCH	38
5. REGIONS IN PARLIAMENT.....	40
5.1 Regions and the Parliamentary Programme	40
5.2 Parliamentary debates	42
6. REGENERATION AND LOCATION POLICY.....	46
7. EU ISSUES.....	48
8. FINANCE	49

9. LOCAL GOVERNMENT49

10. CONCLUSION53

List of Figures

Figure 1: Regional GVA, 2005	15
Figure 2: NAO Assessments of the Performance of RDAs.....	20

Abbreviations and Acronyms

CPRE	Campaign to Protect Rural England
CSR07	Comprehensive Spending Review 2007
DCLG	Department of Communities and Local Government
DEFRA	Department for Environment Food and Rural Affairs
DTI	Department of Trade and Industry
EEDA	East of England Development Agency
EERA	East of England Regional Assembly
EiP	Examination in Public
EP	English Partnerships
ERDF	European Regional Development Fund
ERN	English Regions Network
ESF	European Social Fund
GLA	Greater London Authority
GVA	Gross Value Added
LAA	Local Area Agreement
LSC	Learning and Skills Council
MAA	Multi Area Agreement
NAO	National Audit Office
NLGN	New Local Government Network
NWDA	North West Development Agency
NWRA	North West Regional Assembly
PSA	Public Service Agreement
RA	Regional Assembly
RDA	Regional Development Agency
REP	Regional Economic Performance
RES	Regional Economic Strategy
RIS	Regional Investment Strategy

RSS	Regional Spatial Strategy
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SWRDA	South West Regional Development Agency
WMRA	West Midlands Regional Assembly
WMRSS	West Midlands Regional Spatial Strategy

Executive Summary

Further movement on English regionalism awaits the publication of the Joint Treasury/DTI/DCLG enquiry into sub-national economic development and regeneration and the subsequent Comprehensive Spending Review now due in the autumn.

Regional disparities measured in terms of regional GVA growth over the last two years for which figures are available (2003-2005) suggests that the most successful and some of the least successful English regions are running neck and neck in economic growth terms. There has been some catch up in terms of GVA per capita in the last two years but the amount is tiny at 0.1 per cent. This suggests that the division between rich and poor regions is probably remaining constant rather than being significantly eroded.

The Commons Communities and Local Government Select Committee report on the future of regional governance favours some mix of the standard regions *and* city-region formats but, on the latter, urges central government to be more precise, more urgent and more supportive.

The National Audit Office evaluation of all RDAs is now complete. All have scored well at least in terms of how they carry out their core tasks – with One North East and the East Midlands DA gaining the highest scores.

The Government response to the East of England region's housing plans has caused widespread criticism and led to the East of England Regional Assembly suspending support for the exercise until assurances about extra infrastructure funding are made.

The GLA Bill extending the powers of the Mayor has passed to the Lords having proceeded through the Commons. The bill strengthens London's regional institutions.

The London Mayor and the GLA have been developing formal links with major cities overseas. A substantial London international marketing initiative is now under way. Here the London example provides an indication of what a devolved tier of government can achieve even with limited powers and resources – notably the ability to characterise, organise and project the interests of an area both nationally and internationally.

The 2012 London Olympics are likely to prove about three times more costly than was originally envisaged. The extra money will need to come from the general taxpayer and the lottery. This means less to spend elsewhere, which is likely to have significant effects on other aspects of regeneration and location policy.

While the broad thrust of the city-regions initiative is somewhat moribund in the long lead-up to the Comprehensive Spending Review, things are happening at the grass roots level in one or two major conurbations. Part of this activity involves lobbying central government in favour of city-regions.

A merger has been announced between English Partnerships and the Housing Corporation, creating Communities England. It is unclear how this powerful force for regeneration and spatial policy will relate to regions and localities and what precise effect it will have on the spatial distribution of housing and regeneration spending.

Conservative policy on sub-national issues is beginning to emerge, in a piecemeal fashion. The emphasis is on localism and decentralisation even down to the neighbourhood level. While regional assemblies are to be abolished and some RDAs may survive if business wants them, the party as yet has no evident position on addressing long-term regional disparities, England-wide regeneration and location policy, the 'positioning' of the greater south east and the continuing north-south divide.

The period saw the surprise announcement that the long awaited super casino is to be sited in east Manchester. This was followed by the equally surprising rejection of the proposition, and the sites of 16 other casinos, by Parliament.

The Lyons report on local government functions and finance has been published. It suggests an enhanced role for local government in economic development and floats the idea of an infrastructure levy being raised on the business rate.

Out of 26 bids for unitary status by local authorities the government has decided to proceed to consult on 16 of the proposals before reaching final decisions.

Chronology of Key Events – January to March 2007

- 17 January Announcement by Communities Secretary Ruth Kelly of the merger between English Partnerships and the Housing Corporation, to form Communities England
- 25 January Deadline for the submission to DCLG of proposals by local authorities for unitary status
- 30 January Manchester chosen as the venue for Britain’s first super casino by the Casino Advisory Panel
- 14 March The Communities and Local Government Select Committee releases its report into the Future of Regional Government
- 15 March Culture Secretary Tessa Jowell tells Parliament that the budget for the London Olympics has risen to £9.35bn
- 21 March UK Budget, almost certainly Gordon Brown’s last as Chancellor, is published
- 21 March Launch of the Lyons Inquiry final report into local government
- 27 March Shortlist of sixteen successful local authorities seeking unitary status announced by DCLG, for further consultation
- 28 March The Lords defeat the government over the Gambling Order, throwing the decision to site the super casino in Manchester into uncertainty.

1. Main Developments

The high profile debates and controversies that arose in respect of sub-national governance and policy in England during the most recent monitoring period continued to point up significant differences in the attention focused upon the south eastern 'core' compared with the rest of England. Headlines were variously grabbed in the popular and trade press by steep increases in the projected cost of the London Olympics, the further strengthening of the powers of London government and attempts by representatives of key designated housing growth areas to inflate the price tag placed on delivery of the sustainable communities the Government wishes to see in the south east. By contrast, the one big story in provincial England revolved around the recommendation that east Manchester, rather than Greenwich, be given the opportunity to develop the country's first super casino, a plan that proved sufficiently controversial that it proceeded to stall at the first hurdle, throwing the future of Government policy on casinos into doubt.

Away from the headlines describing how Government was controversially 'delivering' for the 'greater south east'¹ whilst failing, in a smaller way, to deliver for Manchester, the more serious work of rethinking the nature and purpose of the chaotic 'middle' of English governance took another step with the publication of a select committee report asking 'Is there a future for regional government?' Less controversial than Olympic overspending or the still-born Manchester casino, it seems, was the evidence unearthed by the committee that public spending in each of England's strongest-performing regions – London, the South East and the East of England – has grown faster than in any other region during a period in which Government has been formally committed to reducing the gap in economic growth rates between the regions. Whilst the committee was agreed that the Government should try harder on the issue of aligning its spending behaviour to its spatial development priorities, however, the evidence it received on the more specific issue of sub-national institutional performance and reform confirmed just how little consensus there is about the way in which governance between the national and the local level is best organised.

¹ This is defined as the East, South-East and London regions.

All of which means that, as reported in our last monitoring report, the Government's future approach to sub-national governance and policy in England still depends substantially on the completion of the ongoing sub-national review of economic development and regeneration and the way its findings are dealt with in the Comprehensive Spending Review, now likely to be delayed until the autumn, under a new Prime Minister.

2. Regional Structures

2.1. The Treasury and Regionalism

Regions and the Comprehensive Spending Review (CSR)

The January monitoring report² covered in some detail the preparations for the forthcoming Comprehensive Spending Review (CSR07), which is now expected to be announced in the autumn of 2007. It was noted that the Treasury's ongoing review of sub-national economic development and regeneration was central to the preparation of CSR07, and its likely significance in contributing to a potentially major re-think of sub-national governance structures at the beginning of a likely Gordon Brown premiership. During the interim period little concrete information emerged about the direction of the review. Amongst many involved in regeneration and economic development, this has contributed to a sense that much is on hold until the review is completed. Commentators seem agreed that its implications will be significant for reform and possible restructuring of regional institutions and governance. There is some uncertainty over whether the review prioritises greater efficiency in sub-national structures, or whether a recent emphasis on holistic regeneration will be replaced by a greater focus on pure economic development. According to a statement made in the Budget, the main task of the review is to:

Consider how to further improve the efficiency and effectiveness of existing sub-national structures in England so as to strengthen economic performance in regions, cities and localities throughout the country. It looks at mechanisms to drive sub-regional collaboration such as city-regions.³

The Treasury has also outlined the broad contours of the issues that the review is focusing on, namely:

- strengthening local authority incentives and decision making powers to improve economic outcomes and tackle concentrations of deprivation, following the analysis in the Lyons Inquiry;

² Martin Burch, Alan Harding, and James Rees, *English Regions Devolution Monitoring Report: January 2007*, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Regions_Jan07.pdf

³ HM Treasury, *Budget 2007. Building Britain's long-term future: Prosperity and fairness for families*, HC 342, March 2007, at: www.hm-treasury.gov.uk/media/79B/4F/bud07_completereport_1757.pdf, p 46

- developing mechanisms to drive sub-regional collaboration across functional economic areas, including city-regions, building on the Local Government white paper, and considering the case for devolving individual powers and functions;
- improving the economic planning and decision-making processes at the regional level, including through better alignment of regional strategies, enhancing the strategic role of RDAs, improving RDA capacity, efficiency and effectiveness and increasing regional accountability;
- ensuring clearer objectives for regeneration and renewal at national, regional, local and neighbourhood levels, with sharper incentives for improving performance, clearer accountability and more effective coordination, and a stronger link to wider economic strategies; and strengthening the interface between the public and private sectors to maximise the effectiveness of investment. The review will take account of the recommendations of the Leitch Review of Skills and Employment.⁴

As noted in the January monitoring report there is considerable evidence that the Treasury is expressing strong support for devolution and decentralisation in general, although the Treasury notes that in areas such as business support there is a need for greater 'consistency and co-ordination' across the country. Clearly the Review has some way to go and its ultimate conclusions and impact are far from clear at this point. The deliberations of the Communities and Local Government Select Committee, which was originally scheduled to report in 2006, now appear to have been neatly timed to feed into the Treasury's Sub-National Review, and are the subject of the following section.

The PSA Target

In December 2006, the Government published a study alongside the pre-Budget report detailing its performance in meeting the PSA target on regional economic performance.⁵ This was covered in the last monitoring report⁶ but is worth summarising briefly as it provides context for figures released in this monitoring period. The 2002 PSA target aimed to ensure that the gap in growth rates – measured in terms of GVA per head – between the greater south east and the six remaining regions (making up the North, Midlands and South West) was smaller in 2003-12 than in 1989-2002. The study argued that regional disparities were being turned around in the period 2003-04 as the gap in

⁴ Ibid. p 47

⁵ HM Treasury, DTI & DCLG, *Regional Economic Performance: Progress to Date*, December 2006, at: www.hm-treasury.gov.uk/media/7B7/0F/pbr06_regionaleconomicprogress_365.pdf

⁶ Burch, Harding & Rees, January 2007, op cit. section 1.1.2.

growth rates had been reversed. In that period GVA per head grew by an average of 4.6 per cent in the North, Midlands and West, in comparison to 3.5 per cent in the greater south east. In January the Office for National Statistics published productivity figures for 2005, indicating that between 2003 and 2005 GVA per head grew by an average of 4.2 per cent a year in the greater south east and by 4.3 per cent in the North, Midlands and West. This allowed the government to claim that,

These figures show that all regions of the UK continue to grow strongly with signs of convergence in regional growth rates in 2005.

However, the figures indicate that the positive gap enjoyed by the lagging regions began to close in 2005 – from one percentage point in the period 2003-04 – to only 0.1 per cent averaged across the period 2003-05. Although it is impossible to discern longer term trends from these data, it is by no means certain that the target will be easy to achieve. As the data in figure 1 indicate, the southern regions still stand out in terms of GVA per head, suggesting a still substantial North-South Divide. On the other hand GVA grew in all regions between 2004 and 2005 and growth in total GVA was highest in the North East, East Midlands and London (average 4.4 per cent), and lowest in the South East. Overall UK growth was 3.9 per cent.

Figure 1: Regional GVA, 2005

Region	Total	Growth on 2004 (%)	Per head (£)	Per head index (UK=100)
North East	35.9	4.4	14 000	79
North West	106.1	3.7	15 500	88
Yorkshire and The Humber	78.1	3.7	15 400	87
East Midlands	70.8	4.4	16 500	93
West Midlands	84.8	3.8	15 800	89
East of England	104.9	3.7	18 900	107
London	181.0	4.4	24 100	136
South East	166.3	3.5	20 400	115
South West	84.6	4.0	16 700	94
England	912.7	3.9	18 100	102

Source: National Statistics, *Regional, sub-regional and local gross value added*, January 2007

2.2 Select Committee Report on the Regions

'Is there a future for regional government?', the 4th report of the House of Commons Select Committee for Communities and Local Government, 2006-07, was published in March this year.⁷ The inquiry on which it was based 'was prompted by the fact that, more than twelve months after the North East referendum, the new direction of the Government's regional policy was still not readily apparent'. The inquiry addressed two main questions: how does the current system of regional governance actually work and what role would city-regions play in the future development of regional policy? During the course of the inquiry the committee received over 100 memoranda, took oral evidence from 61 individuals representing 35 organisations, conducted two seminars, on the machinery of regional government and on international models of city-regions, and undertook two study visits: to Bristol, Exeter and Exmouth in England's South West; and to Lille, in France, where there is longstanding experience of developing integrated city-regional governance. The main findings and recommendations from the inquiry can be grouped into three broad themes; one concerning views about the performance and future of regional agencies, one focusing upon the relationship between governing arrangements and the Government's aspirations in respect of spatial development, the other on the role that city-regions might play in future approaches to sub-national policy and governance.

On the first of these, the report examined perceptions of the performance of each of the main regional agencies in turn before turning to the issue of how well they worked together and were scrutinised. Its broad conclusion on Government Offices was that the recommendations of a recent Government review of their operations – that they become more strategic organisations, working more through cross-departmental teams with a stronger sub-regional area focus – were laudable but difficult to square with the requirement, imposed as a result of the Gershon review, that they look to shed 33 per cent of their staff, and the fine-grained focus on the delivery of national targets they are asked to apply on behalf of their parent departments. The finding that the Government Office for the South West, for example, is engaged in assessing and monitoring the regional delivery of forty-six PSA targets led the committee to recommend that (a) DCLG Ministers offer leadership, across Westminster and Whitehall, to a concerted attempt to

⁷ House of Commons Communities and Local Government Committee, *Is there a Future for Regional Government?*, Fourth report of Session 2006/07, HC 352, March 2007.

streamline and simplify the expectations that Government as a whole has of its regional offices so that they might be freed to perform a more strategic and creative role more effectively, and (b) an enhanced (and relocated) Regional Co-ordination Unit, empowered to ask more difficult questions about the reasonableness of departmental expectations, might assist ministers in this effort.

The main issues that came up in relation to RDA performance focused upon transparency, accountability, and environmental sustainability. On the last of these, the committee was concerned that the recommendations contained within a Defra report, *Securing the Regions' Future*,⁸ which responded to an earlier report by the Sustainable Development Commission, should be seen to be taken up by RDAs and called for greater clarity about how this was to be ensured. With respect to transparency of decision-making, the committee heard from, and was broadly sympathetic with, a variety of witnesses who felt that decision-making by RDAs tended towards the opaque. However, no specific recommendations were made as to how matters might be improved beyond the suggestion that RDA accountability, more generally, would be enhanced if regional assemblies were given the right to scrutinise RDA finances and expenditures as well as strategies. The longstanding issue of who RDAs are and should be accountable to was raised by a number of witnesses, most of whom felt that they would be more effective if there were stronger mechanisms for ensuring that RDAs took account of the voice of the particular interest group – be it business, local government or environmental interests – that they represented. Again, however, the one recommendation that the committee came up with concerned the role of regional assemblies. The committee recognised that Assemblies lacked scrutiny capacity in many respects but nonetheless felt it would be useful if they were given scrutiny powers similar to those held by local authorities to compel oral and written evidence by witnesses.

The committee's concern with effective scrutiny was linked to the issue of the collective impact of the 'regional tier' as a whole. Here, the committee was impressed with the feedback it was given on the way in which regional agencies had been able to work together in advising Government about regional funding allocations and urged the

⁸ Defra, *Securing the Regions' Future*, April 2006, at: www.sustainable-development.gov.uk/publications/documents/securing-the-regions-futures.pdf

Government to be more transparent about the way in which regional inputs had impacted upon expenditure decisions. There was nonetheless some concern that the regional activities and impacts of a wide range of public bodies beyond the three key regional agencies remained 'outside the tent' and were not being scrutinised effectively. The committee's recommendation, here, was for more effective oversight by Westminster, and specifically that consideration be given to establishing regional select committees and dedicated slots within the Parliamentary time-table for regional question times.

The second theme of the committee's report concerned the extent to which existing structures of regional governance appeared to be effective in enabling the delivery of the Government's overall regional policy aims. Here, familiar debates were aired about the lack of consistency between the two parts of the Regional Economic Performance PSA target – one of which prioritises maximum sustainable economic development in every region whilst the other aims, over the longer term, to reduce the gap in growth rates between London-South East-East of England and the rest of the English regions – and the difficulty of devising policies and governing arrangements that could feasibly realise both of these priorities in tandem. The committee received evidence to suggest that the growth gap had indeed declined over the last year for which figures were available but that the long term trend was still towards increased regional disparities. What emerged from an analysis of regional public expenditure completed on the committee's behalf by the House of Commons Scrutiny Unit was that, in the period in which this PSA target has been in force, the fastest rates of increase in measurable regional public expenditure per head have been in London, the South East and the East of England regions – precisely those regions that would need to grow less quickly than the rest if the longer term target were to be achievable. Noting that this regional discrepancy in public investment is likely to grow as a result of the 2007 Comprehensive Spending Review and the large capital commitments that will accrue to the greater south east (through, e.g., Olympics-related funding), the committee urged the Government to 'consider the impact of current patterns of regional public expenditure on its efforts to achieve a reduction in the gap in growth rates between the regions'.

The final theme examined by the committee – the potential role of city-regions in future sub-national policy and governance – explored one way that, according to some

commentators, the longer term aspect of the REP PSA might be achieved; via targeted support for provincial city-regions designed to improve their economic performance and those of the regions in which they sit. The committee received a broad spectrum of views about the definition, performance and potential of city-regions. It found the economic case for city-regions to be compelling but disagreed with some witnesses who advocated rapid moves towards elected city-regional authorities – potentially based upon the London model – on the basis that ‘wholesale re-organisation of existing administrative structures’ would inevitably be slow and distracting. In this the committee was at one with the reading contained within the Government’s recent white paper on local government. It was, however, critical of the lack of clarity contained within the white paper about the Government’s intentions with respect to the purpose and forms of a stronger ‘city-regionalism’. Whilst recognising the advantages and flexibility of an essentially permissive approach to the development of city-regional governing arrangements, the committee expressed concern that the Government had thus far had little to say about ‘the specification of powers or resources which will enable city-regions to act corporately in new and more effective ways’ and urged it to produce a clearer statement of where, and in what circumstances, it feels the development of city-regional arrangements are most appropriate.

Overall, the committee’s report was careful not to rule out the possibility of regional agencies and putative city-regions working in tandem towards the delivery of the Government’s overall regional policy aims. Ultimately, however, it came down in favour of a stronger policy on city-regions as a more effective route to reducing the gap in growth rates between regions even if the medium term effects of such a change were to be the destabilisation of current regional institutional arrangements (see section 2.7).

2.3 Development Agencies

The remaining three National Audit Office (NAO) reports into the performance of RDAs were released in February and March. East Midlands Development Agency (EMDA) came top in the latest tranche, with 22 points out of 24, making it the top performer of all the RDAs alongside One North East (ONE) (See figure 2 below and figure 1 of January Monitoring Report⁹). The gap between the strong performers and the weakest (East of

⁹ Burch, Harding and Rees, January 2007, op cit, p 24.

England Development Agency scored only 15) is largely accounted for by differences in the NAO's judgement of leadership and management. ONE and EMDA were judged to be successful because of strong leadership, financial competence, relationships with regional stakeholders and partners, and their ability to manage projects. EEDA's capacity on these issues was judged to lag behind the others, partly reflecting its position as having the lowest budget and overseeing an area that extends across East Anglia and the Home Counties which has little coherence as an identifiable region.

Figure 2: NAO Assessments of the Performance of RDAs

	Theme	Assessment	Score
EMDA (February 2007)	Ambition	Performing strongly	4
	Prioritisation	Performing well	3
	Capacity	Performing well	3
	Performance Management	Performing strongly	4
	Achievement (doubled)	Performing strongly	4 (8)
	Overall Score	Performing strongly	22
AWM (February 2007)	Ambition	Performing strongly	4
	Prioritisation	Performing strongly	4
	Capacity	Performing well	3
	Performance Management	Performing well	3
	Achievement (doubled)	Performing well	3 (6)
	Overall Score	Performing strongly	20
Yorkshire Forward (March 2007)	Ambition	Performing strongly	4
	Prioritisation	Performing well	3
	Capacity	Performing strongly	4
	Performance Management	Performing well	3
	Achievement (doubled)	Performing well	3 (6)
	Overall Score	Performing strongly	20

2.4 Government Offices for the Regions

As yet, there have been no specific reports on the way in which Government Offices are responding to the twin challenges posed as a result of the Gershon review of 2004, which set them a medium-term target of reducing staffing levels by 33 per cent, and the Cabinet Office review of last year, which required them to adopt a more strategic and less operational role. Anecdotal evidence suggests, however, that progress on head count reductions has been easier to achieve in southern regions, where staff turnover is relatively high, than in their northern counterparts.

2.5 Regional Assemblies

As noted in previous Monitoring Reports, the regional assemblies are at different stages in the process of developing their Regional Spatial Strategies (RSS). It is worth highlighting some of the main developments in the process in this monitoring period.

West Midlands Regional Assembly oversaw the Examination in Public (EiP) of Phase One of the revised strategy, focusing on the Black Country. The Examination ran for two weeks, from 9 January to 19 January. It also launched its consultation on Spatial Options for Phase Two of the revision of the West Midlands Regional Spatial Strategy (WMRSS), concentrating on housing, employment land, transport and waste disposal. The overall aim of the WMRSS remains to reverse the flow of people from urban to rural areas in the region. The consultation ran from 8 January until 5 March. As in the case of other RAs the greatest degree of public attention was drawn to the issue of housing numbers. West Midlands Regional Assembly (WMRA) sought consultation on three proposed levels of house building in the period to 2026:

Option 1 is the original figure in the WMRSS: 381,000 homes;

Option 2 is the figure based on what the Strategic Authorities believe they can provide: 491,200 homes;

Option 3 is based on the Government's preferred figure set out in its revised Housing Projections: 575,000 homes.¹⁰

¹⁰ Figures summarised from WMRA, *West Midlands Spatial Strategy – Phase Two Revision: Spatial Options*, available at: www.wmra.gov.uk/page.asp?id=244

The Campaign to Protect Rural England (CPRE) attacked the latter figure, claiming it would cause the loss of 5,900ha of greenfield land.¹¹ However, it appears likely that WMRA will favour higher levels of house building. The next stage is to develop the preferred option, which will take the Assembly until September, for submission to the Secretary of State in December 2007.

In the North West the EiP began in the autumn of 2006. However, it continued into the current monitoring period – reconvening in January and February – to cover specific issues. The process has been relatively uncontentious. The Examination in Public of the Draft Revision to the Regional Spatial Strategy for the South East ('The South East Plan') ran from 28 November 2006 to 30 March 2007. This too has run relatively smoothly since the major controversies of last year. In particular, one barrier to the delivery of the 40,000 homes under the Plan was removed during the monitoring period. A report submitted by the South East Plan assessor to the examination panel cleared the way for the increased levels of house building in the protected Thames Basin Heaths special protection area (SPA), finding that development could be combined with wildlife and habitat protection, and proposing that a strategic partnership be established between SEERA, Natural England, and local authorities to co-ordinate management and protection in the area. The next stage of the RSS process will be the preparation by the Examination Panel of a report of their recommendations, to be submitted to Government by the end of July 2007.

In contrast, the major story in this monitoring period has been conflict over housing figures in the East of England. The Government published proposed changes to the East of England Plan in late December, for public consultation until 9 March 2007. It suggested an increase in the regional housing target for the period 2001 to 2021 to 508,000, up 30,000 from the figure in the draft plan.¹² The overall figure had already been raised to 505,500 by the examination panel in 2006; and the figures are considered to be a 'minimum'. Most of the housing expansion is in planned for growth towns including Hemel Hempstead, Welwyn, Cambridge, Peterborough and Norwich. Particularly controversial, however, was the reinstatement of plans for 10,000 homes to

¹¹ See CPRE, *The Great Greenfield Takeaway*, January 2007, at: www.cpre.org.uk/news/view/353

the north of Harlow, a town designated as a 'major growth location', and bringing the total expansion planned for the town by 2021 to 16,000. The expansion of Harlow had already been rejected by the region, which considered it to be environmentally unsustainable and damaging to the town centre. Even more significant is the belief in the region that Government is refusing to heed EERA's message that huge investment in infrastructure is needed to support housing expansion. In particular there are fears that the capacity of the road network will be exceeded. As EERA planning panel chairman John Reynolds commented:

We are deeply concerned about infrastructure. I cannot see anything in the changes that indicates a guarantee from government on this. By 2021 there is going to be pretty substantial development, so we must have things such as roads, schools, hospitals and public transport in place.¹³

In February, EERA suspended support for the East of England Plan, until assurances about infrastructure funding are made, stating that the Government's proposals were 'neither deliverable nor sustainable'.¹⁴ In the meantime EERA continued to work on a regional investment strategy (RIS) ahead of the Comprehensive Spending Review. EERA continued its defiance of the Government in March over the changes to the Plan, and the results of the current negotiations will become clearer in the next monitoring period, as the final plan will be published by the Communities Secretary some time in the spring.

Reference has already been made to the critical issue of infrastructure funding for the development of RSSs, in the case of EERA. Towards the end of the monitoring period the South East and South West regional assemblies submitted proposals to the Treasury for two Regional Infrastructure Funds (RIFs) to provide strategic infrastructure in support of the housing provision targets. It is suggested that the funds could amount to £200-400m, redirected from the Regional Housing Board and Regional Transport Board Budget, as well as the controversial proposed planning gain supplement. Clearly, this key bone of contention between the southern regional assemblies and Government is far from being resolved, and much may depend on the outcome of the Comprehensive

¹² See Government Office for the East of England, *The Secretary of State's Proposed Changes to the Draft Revision to the Regional Spatial Strategy for the East of England and Statement of Reasons*, December 2006

¹³ Quoted in *Planning*, 12 January 2007

¹⁴ Quoted in *Planning*, 9 February 2007

Spending Review. It also potentially clashes with the proposal for a national infrastructure fund overseen by Communities England (see section 2.8).

2.6 Greater London Authority

The Greater London Authority Bill which extends the powers of the Mayor and the Executive especially in the fields of planning, environment and housing, completed its passage through the Commons and emerged from committee on 23 January.¹⁵ No amendments were made to the bill and all parts of the bill were debated. Substantial amounts of time were spent on planning, waste, environmental and governance issues such as the budget for the Assembly and the appointment powers of the Mayor. The bill had its Report stage and Third Reading on 27 February when the Government introduced some amendments especially firming up the Authority's need to take into account sustainability and climate change issues when formulating strategies and policies.¹⁶ The bill proceeded to the House of Lords for second reading on 28 March and is expected to receive Royal Assent sometime in the late spring of 2007. The impact of the new legislation will be to substantially augment the powers and resources available to the Mayor of London and the Executive.

The monitoring period also provided some evidence of how the GLA's existing powers are being used to develop a much more extensive international profile for the London region. Of course, London has always been an internationally-focused city and has emerged in the last decade as the world's premier global financial centre.¹⁷ The importance of this international dimension is reflected in the fact that more than 1,000,000 jobs in London depend on exports and more than 700,000 people are either employed by foreign companies or work in the tourist industry. There are over 13,000 overseas companies operating in London which generate a wage bill of approximately £12bn as a direct contribution to the London economy.¹⁸ Tourists (13.5 million in 2006) and overseas students (60,000) also make a significant contribution. Moreover, as the

¹⁵ For details of the bill and the background to it see Burch, Harding and Rees, January 2007, op cit, pp. 31-34.

¹⁶ *Commons Hansard*, 27 February, 2007, Cols 773-778.

¹⁷ According to the GLA, a McKinsey report prepared for the Mayor of New York confirms that London is edging ahead of New York as a world financial and business centre primarily due to its success in the rapidly emerging new markets of China, Russia and India (and Brazil). Greater London Authority, *London and its International Relations* – Question and Answer Session, Report to London Assembly, 17 March 2007, www.london.gov.uk/mayor/answers-assemblyplenary-20070314.pdf

world's most important financial centre London trades 43 per cent of global foreign equity, 36 per cent of world derivatives, 70 per cent of Eurobonds, 90 per cent of global metals and 50 per cent of all ship-brokering.¹⁹

Thus the overseas dimension is absolutely central to the well-being of the London economy and in order to maintain and extend the region's international profile the GLA embarked on a series of campaigns over the last year to promote tourism, direct investment, students and film. Initiatives have also been launched which engage a large number of countries, especially the emerging economies of China, India, Russia and Brazil. These initiatives include developing partnership agreements with 6 other large world capital cities (New York, Tokyo, Moscow, Paris, Beijing, Berlin) and friendship agreements with 6 other cities – Shanghai, Delhi, Dublin, Dhaka, Johannesburg and Kingston. In addition, London offices have been opened in many of these cities and the Mayor has undertaken well publicised visits abroad to promote London interests – most recently to Brazil and Venezuela in February 2007 where he was able to publicise a deal with Venezuela for providing cheap oil which will subsidise half priced bus and tram travel for 25,000 Londoners on low incomes.²⁰ Also in February, the mayors of the four largest European cities – Berlin, London, Moscow, and Paris (plus, as a guest, the mayor of Beijing) – met at London's City Hall for their third regular meeting to discuss the key challenges facing their cities (the previous meetings were held in Moscow and Berlin in 2006 and 2004 respectively). The main topic for discussion was climate change but the mayors also discussed the role of creative industries in city development, combating discrimination, transport and alternative energy sources, counteracting terrorism, the UNICEF programme for children, the importance of the cultural and creative industries to a city and how citizens can help to shape a city's services and administration.²¹ A highpoint in the development of London's international links and contacts came on 6 March 2007 when the Chinese government signed its first ever agreement with a foreign city on reciprocal inward investment. This agreement was negotiated by Think London,

¹⁸ Greater London Authority, *London and its International Relations* – Question and Answer Session, 17 March 2007

¹⁹ Greater London Authority, *Globalisation and the international Promotion of London*, Briefing from Mayor's Office, 17 January 2007, www.london.gov.uk/mayor

²⁰ Hugh Muir, 'Caipirinha Ken – after Caracas deal London mayor sets out to build links with Rio', *The Guardian*, 24 February 2007.

²¹ Greater London Authority, 'Five Mayors tackle the big challenges facing their cities', Press Release, 28 February 2007, No 123

the inward investment agency for London, using both its London offices and its representation in London's Beijing office.

This attempt to develop and play an international role on the part of the Mayor and the GLA has been a matter of some controversy. In particular Members of the London Assembly have been critical of the overseas visits and expenditures undertaken by the Mayor.²² The expenditures, in fact, are not substantial but what is clear is that the creation of the GLA has opened up new opportunities for both developing a case to project and for exerting influence at the international as well as the national level. These are opportunities that are not available to other English regions.

Other London Issues

The key other London issue has been the size of the projected budget for the 2012 London Olympics. An announcement about this followed both an NAO report on identifying risk factors and the DCMS Select Committee Report on the costs of the Olympics.²³ The announcement was made by the Secretary of state for DCMS, Tessa Jowell, on 15 March. As noted in our last Monitoring Report the full costs of the project had been greatly underestimated: indeed, the new Budget is almost three times the size of the previous one. Under the new calculations the Olympic Development Authority (ODA) will be given a budget to cover construction costs of up to £5.3bn till 2012. This will entail: £3.1bn for building the Olympic park and venues, £1.7bn for Olympic infrastructure and regeneration linking the park to the rest of the lower Lea valley – where the main facilities will be situated – and a £500m allowance for programme contingency. The Government has also agreed that as the funder of last resort, there will be a contingency allowance of £2.7bn built into the budget 'under very tight conditions'.²⁴ This will be drawn on should the need be demonstrated. £500m of this contingency allowance will form part of the base budget of the ODA. 'Within that overall budget' the Government has also allocated a figure of £600m for wider security, which is on top of the ODA budget for site security. Finally, around £390m is to be invested in non-ODA

²² See London Assembly Plenary, 14 March 2007, at:

www.london.gov.uk/assembly/assemmtgs/2007/plenarymar14/agenda.jsp#6.

²³ National Audit Office, *Preparations for the London 2012 Olympic and Paralympic Games - Risk Assessment and Management*, HC 252, Session 2006-2007, 2 February 2007. Culture, Media and Sport Committee, *London 2012 Olympic Games and Paralympic Games: funding and legacy*, HC Paper 69-1, Session 2006-2007, 24 January 2007

provision, including in sport – for example, community coaches – and in the Paralympics. That figure is included in the public sector funding package, but it is not part of the ODA budget. This produces a total budget of about £9bn compared to the £3.25bn budget previously announced.

The new budget will be funded mainly by drawing on funds from the Treasury and the lottery. The most substantial provision will come from ‘central government’ – with a contribution of £6bn. This comprises £1bn already committed for Olympic regeneration, the funding of the VAT bill, broader regeneration, infrastructure within the Olympic park, wider security and programme contingency. In addition the lottery is to make a further contribution of £675m thus taking the lottery’s total contribution to £2.2bn. This represents 20 per cent of lottery income for good causes from 2005, when the Olympic lottery started, to 2012-13. In addition to the £410m already confirmed, the Government proposes to transfer, after 2009, £425m from the Big Lottery Fund and £250m from the other good causes funding. But no transfer will be made from UK Sport, which is responsible for preparing UK competitors for the 2008 Beijing Olympics and the London Olympics in 2012. In order to compensate the lottery in the long-term it would have first call on any profits from the sale of land after the Olympics. In addition to these sources of funding, London’s Mayor will over the lifetime of the Olympic programme be making a further £300m available to help meet Olympic costs. This will be ‘without any further increase for London council tax payers beyond that already committed, or any increase in transport fares’.²⁵

The calls on the lottery gave rise to criticisms by sport and arts organisations concerned about the potential loss of some of their funding. According to *the Guardian*, from 2009 Arts Council England will have £112.5m sliced from its budget, the Heritage Lottery Fund will lose £161.2m and Sport England faces a £99.9m cut.²⁶ The new budget commitments might also have repercussions for the long projected Crossrail project.²⁷ The Crossrail Bill is currently progressing through Parliament and Royal Assent is

²⁴ *Commons Hansard*, Statement by Tessa Jowell Secretary of State for Culture, Media and Sport, 15 March 2007, Col 451

²⁵ *Commons Hansard*, Statement by Tessa Jowell, 15 March 2007, Col 452

²⁶ Andrew Culf, ‘Arts leaders turn on Jowell over Olympics’, *The Guardian*, 23 April 2007.

²⁷ Crossrail is a proposal for a cross-London rail link, from Maidenhead and Heathrow in the west, via a tunnel under the West End, the City and Canary Wharf, to Shenfield in the north-east and Abbey Wood in the south east. See www.crossrail.co.uk

expected in late 2007 or early 2008. Certainly in the view of some commentators, spiraling Olympic costs could hamper the funding of Crossrail. The possibility of this happening alongside the rather stately progress of the issue led to lobbying of central government by London interests which culminated in the Mayor leading a delegation of trade unionists and London business leaders to No 10 on 7 March to discuss Crossrail with the Prime Minister and the Secretary of State for Transport, Douglas Alexander. At the meeting, all parties agreed on the need for Crossrail and committed to finding a suitable funding and financing package for the project. Prime Minister Tony Blair reiterated that the 'Government is absolutely committed' to the project, while Brendan Barber, General Secretary of the TUC, told the meeting that 'the trade union movement is fully behind it'.²⁸ The Lyons report on local government finance offered a possible way forward for the funding of Crossrail (and other infrastructure projects) in proposing that councils be allowed to levy up to 4p in supplementary business rates for special projects.²⁹ According to the Financial Times, if implemented by London's local authorities such a levy 'could help to raise more than £3bn toward the estimated overall cost of £10bn'.³⁰ The government has agreed to carefully consider Sir Michael Lyons proposal for a local infrastructure levy. There was less movement in regard to the other large London public investment project – the Thames Gateway. The Government's plans for this envisage that Crossrail will have a significant part to play as it will offer a route through to Canary Wharf and help to further open up the east end of the city.

2.7 City-Regions

The position on city-regions set out in the November 2006 DCLG white paper, *Strong and Prosperous Communities*, was examined in detail in our last report.³¹ Notably on city-regions the white paper is permissive rather than prescriptive. It does not lay down any particular model or commit to legislation but aims to encourage grass roots initiatives in those conurbations where there is a desire to move forward. In order to assist this process the white paper highlights three mechanisms:

²⁸ 'Government, Mayor, business and union leaders pledge to seek funding for Crossrail', GLA Press Release 143, 7 March 2007. See www.london.gov.uk/media

²⁹ Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government. Final Report*, March 2007, p 299

³⁰ Chris Bryant, 'Crossrail boosted by rates top-up idea', *The Financial Times*, Budget 2007 Supplement, p.19. On overall costs see www.crossrail.co.uk/

³¹ Burch, Harding and Rees, January 2007, op cit, pp. 20-23

- Multi-Area Agreements (MAAs) – to facilitate greater cross boundary co-operation between adjacent local authorities especially on key economic development issues.
- City Development Companies (CDCs) – city region wide economic development agencies.
- Skills and Employment Boards – to assess the needs of the local labour market and to enable partners to plan more effectively to meet them'.³²

Of these three the most important in any attempt to develop city-regions will almost certainly be the MAAs. However, the CDCs also have potential. They are intended to be somewhat akin to development corporations and urban regeneration companies, though the difference is that they are to be targeted at economic performance across a city-region rather than physical regeneration.³³ In addition to these proposals the white paper also promises reform of Passenger Transport Authorities and Executives, and it raises the option of two-tier authorities becoming unitary ones (on the latter point see section 9).

In order to follow up the issues outlined in the white paper the DCLG has set up a city-regions implementation unit.³⁴ This unit has so far undertaken consultation on draft guidance to promote City Development Companies,³⁵ is liaising with local authorities who are developing Multi Area Agreements, and is working across Government and with the English Core Cities grouping (and their local partners) to encourage those already working on cross-boundary arrangements. The DCLG is also using the joint review (along with the Treasury and the DTI) of sub-national economic development and regeneration to establish how best to devolve powers and resources to regions and local authorities in cities and elsewhere. This will contribute to the Comprehensive Spending Review due in the autumn. Indeed, as already noted, some indication of the Treasury's views on city-regions is to be found in the Budget Report, which reveals that the Sub-national Review 'is focusing on...developing mechanisms to drive sub-regional

³² DCLG, *Strong and prosperous Communities: the Local Government White Paper – Making it Happen: the Implementation Plan*, January 2007, at: www.communities.gov.uk/pub/98/StrongandProsperousCommunitiestheLocalGovernmentWhitePaperVol1_id1504098.pdf, p. 83.

³³ Stuart Gulliver, 'Ration city renewal bodies to get results', *Regeneration & Renewal*, 9 February 2007

³⁴ *Strong and prosperous Communities*, op cit.

³⁵ DCLG published *The Role of City Development Companies in English Cities and City Regions* on 12 December 2006. Consultation on this document was concluded on 7 March 2007 and the result of the consultation is awaited. See www.communities.gov.uk/index.asp?id=1505178

collaboration across functional economic areas, including city-regions, and considering the case for devolving individual powers and functions.³⁶

In addition, the Department for Transport has put forward proposals to reform Passenger Transport Authorities and Executives in order to ensure a more coherent approach to transport in the major cities.³⁷ The department aims to publish a draft Road Transport Bill in the early summer in order to enshrine this and other initiatives on the transport agenda. Facilitating city-regions through developing MAAs is mentioned in the Lyons Report and they are noted in the Budget Redbook as a potential part of the overall architecture of devolution.³⁸ Indeed Sir Michael Lyons concluded that voluntary partnerships across metropolitan areas would be too weak to make tough trade-offs in the interests of the city-region as a whole – but added that imposing formalised city-regional structures on metropolitan areas could be time-consuming and detract councils from issues of service delivery.³⁹

The issue of city-regions was also raised by the Communities and Local Government Select Committee in their March 2007 report on the future for regional government (see section 2.2).⁴⁰ The committee argued that ‘the role which could be played by city-regions as drivers of economic growth can be achieved without the need for wholesale re-organisation of existing administrative structures’.⁴¹ But it argued that the Government needs to be much more explicit about where it considers the development of city-regions to be most valuable and how the boundaries of city-regions are to be determined.⁴² The committee welcomed the Government’s willingness to build on existing governance arrangements, but it criticised its failure to express a precise vision of what is achievable in city-regions terms within the constraints of national policy and available resources. The committee held that this failure is impeding realisation of the policy and that, unless further statements clarifying the potential for, and limits on, city-regions are made soon, the city-region movement could again lose momentum.⁴³ The Government also needs to

³⁶ HM Treasury, *Budget 2007*, op cit, p 47

³⁷ On 12 December 2006 the Department for Transport (DfT) published *Putting Passengers First, proposing reforms in PTAs*

³⁸ Lyons Inquiry, *Place-shaping*, op cit, and HM Treasury, *Budget 2007*, op cit.

³⁹ Lyons Inquiry, *Place-shaping*, op cit

⁴⁰ *Is there a future for Regional Government?*, op cit, especially pp.66-73.

⁴¹ *Is there a future for Regional Government?*, op cit, para. 145.

⁴² *Is there a future for Regional Government?*, op cit, para.159.

⁴³ *Is there a future for Regional Government?*, op cit, para.170.

decide how the specific powers, resources and governance structures of each city-region can be best designed, and how to avoid undermining the capacity of the Regional Development Agencies to support and promote prosperity in surrounding areas.⁴⁴ The committee also sees it as essential that the Government assures those for whom a city-regional style of governance is inappropriate that development of the policy will not result in a reduction of support for these other areas.⁴⁵

Meanwhile at grass roots level initiatives have continued. The pace appears to be being set within the three conurbations centred on Manchester, Birmingham and Leeds with Manchester furthest down the road. Though there are also developments elsewhere (in Bristol, for example) and even some initiatives centring on smaller conurbations such as Stoke and North Staffordshire and Hull and the Humber towns.

Manchester City Region

Comprises Manchester City, Salford, Stockport, Bolton, Bury, Tameside, Trafford, Oldham, Rochdale and Wigan. The City region proposal aims to build on the experience of the workings of the Association of Greater Manchester Authorities – an organisation which has been in operation since the abolition of the Metropolitan Counties in 1984. Manchester's preferred model of cross local authority working was submitted to the government in early 2006 and as noted in our previous monitoring report envisages an executive board comprising the leaders of each local authority and a chair elected from their number. This board is to be linked to an advisory Business Leadership Council. And there would be a variety of commissions each tasked with addressing specific functions: economic development, transport, housing and planning, health inequalities, public protection, environment, and capacity building and collaborative working. Proposals for Scrutiny and accountability of these arrangements are currently being developed.⁴⁶ As further moves on the city-region front will probably need to await the Comprehensive Spending Review scheduled for the autumn, the Manchester authorities are moving forward on setting up voluntary arrangements and are also using the time to lobby Treasury and other ministers ahead of the spending review and the Sub-national Review. They are also lobbying other organisations in the North West including the

⁴⁴*Is there a future for Regional Government?*, op cit, para.184.

⁴⁵*Is there a future for Regional Government?*, op cit, para 179.

regional assembly and the RDA as well as all adjacent councils and local MPs and MEPs. This local lobbying effort is intended to ensure that others are fully informed about what is being proposed and to provide some assurance that the Manchester city-region initiative is not intended to undermine or detract from their own activities.

Greater Manchester leaders have already much experience of working across the conurbation. The most recent initiative has been in relation to congestion charges and this provides an example of joint working. The congestion charges proposal is being explored in order to formulate a bid in July 2007 to the Government's Transport Innovation Fund. The ten district leaders have already agreed a set of principles on which to base the design of the charging scheme, though the package would need to be accepted by the public and businesses. The proposal is to develop a 'Smart Charging' scheme which would take advantage of the latest technology to target those car trips causing the greatest degree of congestion – whether to or from Manchester city centre or on other busy routes across the city-region. AGMA has already agreed that any such scheme would not be introduced on roads until those affected have a reliable, integrated public transport system which provides a genuine alternative to the car.⁴⁷

Leeds City Region

Leeds City Region comprises the 10 local authority districts of Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield, and York, which reflects the area of the sub-regional economy in that 95 per cent of the people who live in the city-region also work in the city-region. A City Region Partnership comprising each of the 10 districts, plus North Yorkshire County Council (which has strategic responsibilities in three of the districts), was set up in 2004, and since then has been working together to look at how policy and delivery at this broad area level can be changed to improve economic growth and competitiveness. On 1 April 2007 the Partnership became the City Region Leaders' Board, which is constituted as a joint committee. The board comprises the leaders of each of the eleven constituent authorities, and has the remit of 'Promoting the economic wellbeing of the Leeds City

⁴⁶ For full outline of the greater Manchester proposal see:

www.agma.gov.uk/ccm/agma/AGMA_Initiatives/governance.en

⁴⁷ AGMA/GMPTA News Release: www.gmpte.com/content.cfm?subcategory_id=103073&news_id=5024475

Region.' The board is intended to provide both the political accountability for and the 'voice' of the city-region.

The City Region Development Programme (CRDP) was prepared in 2005 and recently finalised, and agreed by the 11 councils, in November 2006. This is essentially the economic plan for the city-region and it builds on a 2005 document, but provides a more robust and evidence-based programme for prioritising policy and programmes aimed at accelerating growth in the Leeds City Region. The CRDP puts forward a growth scenario to achieve 4 per cent per annum growth in GVA per capita across the city-region over the coming ten years. The financial and business services sector is identified as the key industry that will drive the city-region's economic growth and competitiveness over the next 10 years. A key element of the CRDP is to ensure that the city-region has a first rate transport infrastructure that supports stronger links around the city-region, particularly between growth locations and rural hinterlands.⁴⁸

The Birmingham City Region

This city-region goes by the rather cumbersome title of the Birmingham, Coventry and Black Country City Region and covers the seven local authority districts that made up the area served by the former West Midlands County Council along with Telford and Wrekin. It is organized under a City Region Executive Board and thus far has produced a 'vision statement' laying out the economic aims for the region and providing some indication of how these aspirations will be achieved. This regional plan remains very general in content and is imprecise so far as means of delivery are concerned.⁴⁹

2.8 Other Regionalised Agencies and Actions

As predicted in the last monitoring report, the announcement of the merger between English Partnerships and the Housing Corporation, creating a new agency called Communities England, was made in January. Unsurprisingly, details of how the new organisation will develop and function are far from finalised, but it is clear that it is more than just a merger, creating a very powerful organisation which absorbs several executive functions of DCLG. These include the Neighbourhood Renewal Unit, the delivery of the Decent Homes Standard, the Housing Market Renewal Programme, the

⁴⁸ See Leeds City Region at www.leeds.gov.uk/leedscityregion

⁴⁹ See: www.wmra.gov.uk/page.asp?id=286

Private Finance Initiative in social housing, and the Southern housing growth areas. It may also take over other regeneration funding streams such as the Neighbourhood Renewal Fund and New Deal for Communities, though these will be of dwindling significance over the coming years. Overall it is likely that Communities England will have a budget of between £4-5bn a year, though it is unlikely the reorganisation will be completed until 2009.

Clearly, the major rationale for the merger is to unite two previously disparate strands of Government action: on land management and development, and funding for social and affordable housing, creating an agency that it is hoped will be able to force the pace of the delivery of Government intentions under its Sustainable Communities agenda. However, the regional and sub-national implications of the change will take some time to emerge. It appears likely that the agency will have regional offices (perhaps in contrast to the existing English Partnerships structure, which does not follow the standard region geography), in order to fit with the regional housing boards, and which would in principle be devolutionary. However, as Brendan Nevin of consultancy Ecotec argues: 'In reality, it will be much more powerful than regional bodies because of the massive resources behind it, and will effectively steamroller debate'.⁵⁰ Further complexities surrounding how the new agency will interact with existing sub-national structures – in particular with RDAs – and many questions remain about how it will carry out its role. Primary legislation is still needed to create the agency, and this in turn will be influenced by the reviews on the future of social housing (by John Hills) and its regulation (by Martin Cave) as well as the all-encompassing Treasury sub-national review.

Early indications suggest that tensions between a national and regionalised approach are already emerging. While the organisation will almost certainly have a regional structure, it will also have to grapple with the division of issues between the North and South of the country, with the very different problems of regeneration and housing renewal in the former and complex Growth Areas in the latter. Perhaps more significantly, Communities England is already considering the creation of a national infrastructure fund for the provision of infrastructure in support of housing expansion. It is difficult to escape the implication that infrastructure spending will continue to be heavily

⁵⁰ Quoted in *Regeneration and Renewal*, 26 January 2007

skewed towards the South of England. It also appears to be something of a contrast to the regional infrastructure fund proposals submitted to the Treasury by the Southern RDAs in March. Baroness Ford, chair of the Communities England transition team, argued that a national fund would 'get a better scale of quality and returns' and would be more attractive to investors.⁵¹ It would also, she suggested, be able to work with the regional bodies to determine investment priorities. It should be noted, however, that these are early days in the evolution of Communities England.

⁵¹ Quoted in *Planning*, 30 March 2007

3. Party Positions on Regional Issues

During the period the Conservatives reiterated their opposition to regional assemblies and their intention to scrap them upon achieving power. For example in a speech to the Conservative Councillors Association on 23 February, Conservative Leader David Cameron described an imperative to dismantle 'Labour's command state', and deliver real devolution. The speech was in the vein of recent Conservative statements in favour of a 'new' localism, and he talked of devolution of powers to local government and further, down to community groups and citizens. Commenting more specifically on regional institutions, he said:

Regional assemblies do not represent a devolution of power, as Labour claim, but a centralisation – they suck their powers up from local councils, not down from Whitehall. So they must go.⁵²

Regional assemblies bore the brunt of criticism in a pamphlet entitled *Conservatives and Localism*⁵³ for the New Local Government Network by Conservative Shadow Secretary of State for Communities and Local Government, Caroline Spelman. She accused them of representing 'a kind of fake devolution, a fig leaf to conceal the fact that true power still lies in the centre', and again, she pledged to abolish them. Spelman is also critical of restructuring and city-regions, seeing them as running counter to local accountability, and arguing instead for the retention of traditional structures accompanied by devolution of power to, and strengthening of decision-making at, the local authority scale.

Partly in reaction to this central Conservative position on regional assemblies, Conservative Councillor and chair of the English Regions Network, Keith Mitchell, argued that the problem with his party's stance on regional governance was that, 'behind a public silence, the government has been busily constructing regional structures', and that as a result RAs were needed to perform a crucial accountability role. He went on:

In this context I worry about my party's fixation on abolishing 'unelected regional assemblies'. While regional assemblies cost the public purse £18m in 2005/06, regional development agencies – quangos with boards appointed by the

⁵² Transcript of speech available at www.conservatives.com/tile.do?def=news.story.page&obj_id=135225&speeches=1

⁵³ Caroline Spelman, *Conservatives and Localism*, available at www.nlgn.org.uk/public/press-releases/caroline-selman-sets-out-conservative-regions-policy-in-new-nlgn-pamphlet/

secretary of state – had running costs of £166m and dispensed public funds of £1.8bn.⁵⁴

This argument in favour of RAs role in democratic oversight of regional policymaking and scrutiny function has been stressed by the English Regions Network during the period, reflecting the points made by Keith Mitchell.⁵⁵

The Liberal Democrats published a policy consultation paper during the period, a statement that was expected in previous monitoring reports. Concerned primarily with issues of democratic renewal at the centre, constitutional reform, and more accountable governance, it nevertheless touched on questions of regional governance. In particular the paper is concerned with possible forms of English devolution in response to the implications of the so called West Lothian question, suggesting that the party thinks of English devolution as primarily an issue driven by devolution to Scotland and Wales. Beyond that, the paper is exceptionally vague about proposals, simply posing questions such as:

Does devolution in England require an English government, or parliament, or both? Or should/could English devolution be dealt with by directly elected regional assemblies and governments in England?⁵⁶

And like the Conservatives, the Liberal Democrats are concerned with the proliferation of ‘unaccountable’ quangos at the regional level:

In addition, there are many hundreds of quangos, sometimes with a statutory basis, sometimes not, carrying out executive and other functions at considerable cost with, again, very limited arrangements for direct democratic scrutiny. (Examples include Regional Development Agencies, NHS bodies, Learning and Skills Councils, Natural England, etc.)⁵⁷

Nevertheless, this represents early thoughts on the devolution issue and is designed to be a basis for further discussion that will contribute to a full ‘better governance policy paper’ that may emerge as the Liberal Democrat party position in the near future.

⁵⁴ Keith Mitchell, ‘Dead duck or slumbering swan?’ *The Regional Monitor*, at www.epolitix.com/EN/Publications/Regional+Monitor/18_1/09cc5062-6171-4799-9d8e-806c3c4050f9.htm

⁵⁵ See <http://ern.smartregion.org.uk/page.asp?id=1>

⁵⁶ Liberal Democrat Federal Policy Consultation Paper No. 85, January 2007, p 18

⁵⁷ *Ibid.*, p 15

4. Public Attitudes, Identity and Research

The previous monitoring report drew attention to an ICM poll which found evidence of a rise in English nationalism, with, for example, strong support for Scottish independence, and for the idea of an English parliament amongst English voters. In January the annual British Social Attitudes Survey (BSA) was released. The latest findings are consistent with those of the ICM poll, but more importantly are an indicator of longer term trends, having been carried out since the early 1990s. According to the BSA, in 2005 40 percent chose Englishness as the best or only way to describe their national identity, up from 31 percent in 1992. Not surprisingly then, there has been a corresponding decline in a feeling of Britishness: the proportion of the British respondents who chose British as their best or only identity has declined from 52 percent to 44 percent between 1996 and 2005. This decline is even more marked within England itself, where the proportion identifying as British has declined from over 60 percent in 1992 to just under 50 percent in 2005.⁵⁸

In March the Final Report version of *Evaluation of the Role and Impact of Regional Assemblies* was published by DCLG. One of the more overt criticisms that emerged from the report was the finding that regional assemblies were less effective because they had become involved in too wide a range of policy areas and consequently spread resources too thinly, although this situation had improved over the course of the evaluation, carried out by Ove Arup & Partners Ltd. By focusing more on their core responsibilities they are now 'operating as more effective and influential organisations'.⁵⁹ It was also noted that they had not paid sufficient heed to working at the sub-regional scale, and issue of increasing importance given the renewed debate over city-regions (see section 2.7).

The New Local Government Network published a new report in March by Chris Leslie and Owen Dallison, building on the pamphlet published last summer by Treasury ministers Ed Balls and John Healey. The report essentially is a reflection on options for the future of regional governance, seeking to influence the Sub-National Review, and the authors consider nine different designs for regional governance across a spectrum from almost business as usual to radical overhaul and reform. A central concern of the report

⁵⁸ NatCen, *British Social Attitudes 23rd Report – Perspectives on a changing society*, January 2007 (Sage)

⁵⁹ DCLG, *Evaluation of the Role and Impact of Regional Assemblies*, March 2007, p 53

is the accountability and transparency of regional institutions. The authors hold that, while the issue of accountability is complex, there is a growing sense that the regional level has been hampered by a widely-perceived democratic deficit. As the authors note, RDAs were deliberately intended to be strategic in their operation and are upfront in their 'quango' status, but there is a problem in relation to the RAs:

If the Regional Assemblies themselves have in any sense anything less than an irreproachable legitimacy, or a perceived democratic deficit because of their partial legitimacy, then the mandate supporting the long term work of the executive regional players will be brought into question.⁶⁰

They find, indeed, that there is:

A growing consensus that the voice of national parliamentarians should be heard in the accountability arrangements for regional decisions, just as local government's voice should be heard more clearly.⁶¹

The problem therefore is that an unintended consequence, that of the ongoing operation of indirectly-elected regional assemblies, has arguably become the Achilles heel of regional governance. It is interesting that many of these concerns over accountability were voiced by MPs in the period (see section 5.2). The authors also argue the case for improved efficiency and the drawing together of regional strategies, in particular the RSS and RES. These and other arguments feed into their central recommendation for a serious redesign of regional governance with an emphasis on increasing accountability through improved local and central government scrutiny. They favour the upgrading of RDAs, which would absorb some of the existing roles of Government Offices and regional outposts of Whitehall departments, to create Regional Executive Agencies (REAs). In sum they argue that:

By combining the best elements of these nine permutations of regional governance we can create a robust and more permanent settlement: new incentives and duties to co-operate; a drawing together of the RES and RSS; an enhancing of existing RDA powers with the creation of a new Regional Executive Agency made legitimate [by] connection to elected representatives.⁶²

This, they urge, should be considered carefully by the Treasury's Sub-national Review.

⁶⁰ Chris Leslie and Owen Dallison, *Redesigning Regionalism: Leadership and accountability in England's regions*, NLGN, March 2007, p 31

⁶¹ Leslie and Dallison, *Redesigning Regionalism*, op cit, p 8

⁶² Leslie and Dallison, *Redesigning Regionalism*, op cit, p 52

5. Regions In Parliament

5.1 Regions and the Parliamentary Programme

Local Government and Public Involvement in Health Bill

The LGPIH Bill received its first reading in December. The bill was debated on 22 January and has since progressed through to its committee stage. It was noted in the last report that the proposals on city-regions had been substantially watered-down in the white paper and such regional and city-regional agendas have continued to receive short shrift in the bill. These have been far outweighed by the central issues of local government restructuring and accountability. The bill focuses on the following main themes⁶³:

Firstly, the Government aims to create more effective and accountable local government and, in this context, the provisions on council restructuring and new leadership arrangements are ... among the more controversial. The bill provides for:

- The Secretary of State to invite or direct local authorities to make proposals for establishing unitary authorities in two-tier areas, and to implement such proposals;
- All but the smaller authorities to adopt one of three models of executive arrangements – directly-elected mayor, directly-elected executive or indirectly-elected leader. Leaders to hold executive powers and to serve for four-year terms;
- Councils to be enabled to adopt ‘all-out elections’ every four years; and to have single-member wards;
- Councils to be empowered to make byelaws without ministerial confirmation and to be able to enforce them through fixed-penalty notices;
- Revision of the ethical framework so that most decisions are taken by local standards committees and the Standards Board acts more as a strategic regulator.

A second theme is concerned with strengthening local strategic leadership and partnership working. The bill:

- Places a duty on top-tier authorities to prepare a Local Area Agreement (LAA) in consultation with others;

⁶³ With small adaptations, these points are extracts from: House of Commons Research Paper 07/01, *The Local Government and Involvement in Health Bill*, January 10 2007.

- Requires the local authority and public sector partners to co-operate in agreeing targets within the LAA, and to have regard to those targets when carrying out their functions;
- Empowers overview and scrutiny committees to review and scrutinise the actions of local partners in regard to targets.

Thirdly, the Government wishes to empower citizens and communities. Measures include:

- Devolving the power to create parishes, and other forms of community governance, to district and unitary authorities; allowing parishes to be created in London;
- Introducing a 'community call for action' procedure whereby councillors may involve overview and scrutiny committees in resolving issues of concern to their constituents;
- Revising the duty on best value authorities to require them to secure the participation of local people in service design and delivery.

A fourth theme relates to simplifying the performance framework and reducing the burden of inspection on councils. The bill:

- Removes the requirements for authorities to produce best value performance plans and to carry out best value reviews;
- Allows for the introduction of more targeted risk-based inspection with the Audit Commission acting as 'gatekeeper' for all local authority inspection;
- Community empowerment – chapter 2 of the white paper – covers parishes, the Community Call for Action and the best value duty to secure local participation;
- Effective and accountable local government – chapter 3 of the white paper – covers unitary structures, electoral arrangements, executive arrangements, byelaws and ethical standards;
- Local government as strategic leader and place-shaper – chapter 5 of the white paper – covers local area agreements and overview and scrutiny;
- A new performance framework – chapter 6 of the white paper – covers, primarily, best value and inspection.

In addition the legislation involves, as the title of the bill suggests, changes in the area of patient and public involvement in healthcare, which are not covered here. It is immediately clear, however, that the bill has little or no impact on moves towards city-regions. A controversial area of the bill has been the Government's proposals on Local Area Agreements. It decided, against expectations, to make it a legal duty for public agencies to co-operate with LAAs. It is proposed that each LAA must be submitted to the

Secretary of State for Communities and Local Government, who would be able to make modifications, raising fears that this reflects a desire to retain centralised control. Opposition criticisms of the bill have run along similar lines; while it is likely that local government restructuring, through the creation of unitary authorities, will also prove controversial (see section 9).

Greater London Authority Bill

The GLA Bill passed through the Commons committee stage and went to the Lords on 28 February where it received its Second Reading on 28 March (see section 2.6 above for more details).

Further Education and Training Bill

The bill returned to the House of Commons on 7 March.

Crossrail Bill

The bill continues to progress: petitions were deposited against the third set of Crossrail Bill Additional Provisions on 11 January (see section 2.6 above for more details).

5.2 Parliamentary debates

In general the period was an exceptionally quiet time for debates on issues connected to the regions. On 7 February a Commons debate was held on the subject of Regional Development Agencies. The key themes of the debate provide an indicator of opinion toward RDAs and the wider regional issue in the House. A major theme of dissatisfaction concerned accountability and the difficulty MPs have experienced in influencing the RDAs. For example Mr Anthony Steen (Con) related dissatisfaction in the South West region:

I would like the Minister to explain how they can become more accountable – I really do question that. We had a meeting in the south-west, at which my hon. Friend the Member for Totnes (Mr. Steen) was present, with representatives of the RDA for the south-west and it was very productive, but it was acknowledged that there is little accountability.⁶⁴

⁶⁴ Commons Hansard, 7 February, Col 265WH

A further more substantive concern was with the efficacy of RDAs as a whole. The same speaker argued that RDAs imposed a uniform blueprint on regions, rather than fully tailoring requirements to local characteristics:

We are duplicating initiatives and priorities. How can it be, for example, that eight out of the nine regions labelled biotechnology or health sciences as priority areas? Where does that leave us when we are trying to compete in a global market with the growth of places like India, China and so forth...The regional economic strategies are also far too similar with no recognition that certain areas of the country will focus on some subjects and other areas will focus on others. We should be complementing each other, not competing against each other on the scale that we are doing at the moment.⁶⁵

Other Conservative speakers attacked the setting of national targets for RDAs which, it was argued, hampered their discretion to set appropriate regional strategies. There was further criticism of what was seen as excessive duplication of services by organisations funded by RDAs (particularly those designed to support business development); and the expansion of RDAs' responsibilities in response to central government agendas. Mr Steen argued more streamlining was needed and that in fact the overriding priority for businesses in the South West was investment in transport infrastructure.

Equally critical comments came from a prominent critic of RDAs in the North West, the Labour MP for Manchester Blackley, Graham Stringer. The core of his argument is that RDAs by their very nature pursue the wrong strategy and try to spread funding too thinly:

There is no real understanding of where the engines of the regional economies are and where money needs to be spent.⁶⁶

He argued that the NWDA attempted to pick winners but its locational decision-making was highly flawed. Commenting on the NWDA's support for Blackpool's bid for the super casino, Stringer noted:

[NWDA] said 'We will basically decide where the best place to put this huge casino in the north-west is'. What arrogance. What mattered most was where in the north-west was most likely to beat the dome or Glasgow, not the RDA saying, 'It will be Blackpool'.⁶⁷

⁶⁵ Commons Hansard, 7 February, Col 266

⁶⁶ Commons Hansard, 7 February, Col 269

⁶⁷ Ibid.

There was further criticism of RDAs' role in investment decisions and planning, and particularly of the way in which RDAs attempt to pick economic winners, sometimes at the expense of existing businesses. Others questioned whether the region was the appropriate scale on which to co-ordinate policy-making, comparing it with the sub-regional scale at which markets might be judged to operate and raising the possibility of city-regional governance. On the whole this dissatisfaction may be said to reflect a degree of alienation that many Members of Parliament feel from the regional governance level. Other speakers, by contrast, spoke in favour of RDAs and stressed their role in streamlining strategic investment particularly through the RES process. Examples were presented of local successes attributed to RDA investment.

Nevertheless, the most persistent concern was that RDAs are not sufficiently accountable. The Liberal Democrat MP for North Cornwall, Dan Rogerson, while emphasising his Party's support for RDAs, added that:

Local authorities consult widely and heavily, and have democratic accountability when determining their strategies; it could be argued that the lack of an elected form of scrutiny affects RDAs in that regard...RDAs are taking steps to invigorate regional economies and communities, but all too often they are thwarted by an understandable lack of faith in their democratic accountability and sometimes by a lack of transparency in their aims and objectives on particular projects. In order to deliver regional objectives, we desperately need bodies that have real power because they are constructed along democratic principles.⁶⁸

It will be interesting to see whether this recurrent concern with the accountability and transparency of RDAs translates into further calls for the reform of regional structures, or whether it is somewhat unrepresentative of wider opinion. It certainly chimes with concerns raised by witnesses to the Communities and Local Government Select Committee inquiry into the future of regional governance⁶⁹. In response to the problem of accountability, the Minister for Industry and the Regions, Margaret Hodge, stated that:

The RDAs are accountable to Ministers and Parliament. Indeed, much of the information used by the hon. Member for Bournemouth, East came from the RDAs' annual report and accounts, which were audited by the National Audit Office and then laid before Parliament.⁷⁰

⁶⁸ Commons Hansard, 7 February, Col 269

⁶⁹ *Is there a future for regional governance?* op cit, p 10

And in response to the wide ranging criticisms of RDAs raised in the debate, she repeated a by now familiar refrain that:

we are, as part of the comprehensive spending review, having a sub-national review of all our structures to ensure that they are appropriate and fit for purpose as we move into a period of greater globalisation and technological change. We are considering whether the incentives, governance and accountability are right.⁷¹

⁷⁰ Commons Hansard, 7 February, Col 288WH

⁷¹ Commons Hansard, 7 February, Col 284WH

6. Regeneration and Location Policy

Two important location decisions emerged during the monitoring period. First, confirmation of the decision by the BBC to move some departments to Salford in Greater Manchester – this was largely covered in the last report but a final confirmation was awaited. Now the move is almost certain barring any legal difficulties regarding accommodation. The BBC will be the anchor tenant in what is being labelled ‘media city’ situated on the waterfront at Salford Quays. The aim is to attract other media interests located in the region and elsewhere.

The other location decision proved far more contentious and involved the siting of the new national super casino in east Manchester. This was the surprise recommendation of an independent review committee – the Casino Advisory Panel – chaired by Professor Stephen Crow and which reported on 30 January 2007. They recommended the Manchester location as first choice rather than the more widely expected choice of either Blackpool or Greenwich. The committee also recommended sites for 16 smaller casinos across the country. In making their decisions the members of the Panel were working to a rather unusual remit laid down by ministers. Their main objective, over and above regeneration considerations, on which Blackpool scored well, was to choose somewhere that provided the best possible test of social impact. The Panel felt that Blackpool's diverse visitors would mean that ‘most of the social effects would be exported’ thus making it difficult to trace any impact, while Manchester by contrast, with a relatively sedentary local population, would be ‘a good place in which to test social impact’.⁷² The overall estimated regeneration effects of the whole programme of 17 casinos was 7,500 new jobs, of which about 2,000 would be created by the super casino.

On 1 March Tessa Jowell, Secretary of State for Culture, Media and Sport, announced that the Government had accepted the Advisory Panel's recommendations and would place an affirmative order before the House endorsing the choices of sites for the super casino and the other sixteen locations. As such legislative instruments are non-amendable, the government's decision to lay a single order covering the 16 smaller

casinos as well as the single super casino denied parliamentarians the opportunity to vote against the Manchester proposal without also voting against all the others. In the event, more than 100 MPs signed a motion in favour of Blackpool and the Conservatives and Liberal Democrats decided to vote against the order. By now an alliance between those who favoured Blackpool and those who were opposed to the whole casino proposal on moral grounds had emerged. The debate and vote in both Houses took place on 28 March. Jowell offered Blackpool a regeneration task force and promised to set up a joint committee to look at whether Blackpool should be the prime candidate for a super casino in the next Parliament. Ultimately, while the government carried the motion by a majority of 26 in the Commons, the order fell by a majority of 3 in the Lords. Hence the order and the Manchester bid were, at least for the time being, dead in the water. Certainly no further movement on the proposal is expected until after the May local elections and any changes that may follow the expected change of Prime Minister.

⁷² *Final Report of the Casino Advisory Panel*, 30 January 2007, pp. 108-9 - <http://image.guardian.co.uk/sys-files/Politics/documents/2007/01/30/CasinoAdvisoryPanel.pdf>

7. EU Issues

At the end of March it was announced that UK regional development agencies should benefit from a European investment fund to promote jobs and growth in urban areas. The Joint European Support for Sustainable Investment in City Areas (JESSICA) is being consulted on by the European Commission, which is working on the initiative with the European Investment Bank (EIB) and the Council of Europe Development Bank.

JESSICA will offer loans for urban development, including social housing, to authorities that qualify for EU structural funds. This follows the diversion of funds to newer member states in eastern Europe and this, as noted in previous monitoring reports, will mean that significantly less regeneration money will be available for UK regions. The EIB as a private bank can loan large amounts, usually with a 50-50 split between itself and RDAs.

The new scheme will be available to the nine English RDAs, Scottish Enterprise, the Wales European Funding Office and the Department of Finance and Personnel in Northern Ireland.⁷³

⁷³ 'Regions set for city cash', *Planning*, 30 March 2007

8. Finance

There is nothing to report on this issue as regards the English regions, though local government finance was a central concern of Sir Michael Lyons' Inquiry, as discussed in the following section.

9. Local Government

This monitoring period finally saw the publication of the long-awaited Lyons Inquiry into Local Government finance, on 21 March, the day of the Budget. The response to the Inquiry was notably muted, and ministers quickly moved to 'kick into the long grass' the more contentious elements of Sir Michael Lyons' recommendations, particularly the proposal to revalue Council Tax bandings, and the suggestion of a local tax on tourist beds. Lyons was said to be 'furious' about this reaction, though it is far from unusual in the context of recent responses to government-appointed reviews.⁷⁴ The report was entitled *Place-shaping: a shared ambition for the future of local government*, reflecting Lyons' focus on the desire to see an improved and strengthened role for local government in shaping local outcomes. He noted for example:

I believe that local government is an essential part of our system of government today. Local government's place-shaping role – using powers and influence creatively to promote the well-being of a community and its citizens – is crucial to help improve satisfaction and prosperity through greater local choice and flexibility...

... I call for a new partnership between central and local government. This needs to be based on changes in behaviours from all tiers of government to achieve a stronger relationship – creating a shared ambition for the future. Central government needs to leave more room for local discretion and recognise the value of local choice; while local government needs to strengthen its own confidence and capability, engage more effectively with local people, make best use of existing powers, and stop asking for central direction.⁷⁵

⁷⁴ See Leigh Holmwood, 'Lyons to chair BBC Trust', *The Guardian*, 5 April 2007, available at www.guardian.co.uk/uk_news/story/0,2050806,00.html

⁷⁵ See www.lyonsinquiry.org.uk

A brief summary of Lyons' recommendations is given below. Recommendations that could be implemented by Government in the short term included:

- greater flexibility for local authorities to place-shape with less control from the centre – by reducing specific and ring fenced grants, a new power to levy a supplementary business rate in consultation with business, and a new power to charge for domestic waste to help manage pressures on council tax, and an end to capping of council tax;
- changes to improve the fairness of council tax, recognising that council tax benefit is a rebate, automating the system to ensure 1.8 billion pounds in unclaimed benefit helps the poorest households, and raising the savings limit for pensioners to 50,000 pounds;
- improving transparency in the funding system by being clear about the contribution made by national taxation, and ensuring a more independent voice to inform Parliament and the public; and
- improving incentives for local authorities to promote economic prosperity and growth, initially through reform of the Local Authority Business Growth Incentives Scheme.

In the medium term the Government should:

- revalue council tax to update the tax base and improve fairness;
- at the same time, reform council tax by adding new bands to reduce bills for those in the lowest value properties, paid for by increased bills for those in higher value properties paying more – there should be no increase in average council tax bills as a result of this;
- consider assigning a fixed proportion of income tax to local government;
- find ways to improve the incentives within the grant system; and
- consider introducing the power to levy a tourist tax if local government makes a strong case based on local public support – this would be appropriate only in some areas.

Perhaps one of the most interesting proposals was that of a supplementary local business rate which would be controlled by local authorities in order to fund large local infrastructure projects. Lyons recommends that business rates continue to be set nationally, but that local authorities be allowed to levy a supplement, perhaps of up to 4p as already happens in Business Improvement Districts in some cities. The logic of this

would be to unlock the funding for large infrastructure projects (such as Manchester and Nottingham's proposals for tram extensions) in order to promote economic development. It has been suggested, for example, that a 4p supplementary rate across the Greater London Authority area would generate £4.38m a year, allowing London to borrow £3.3bn against this income, contributing one third of the cost of Crossrail (see section 2.6.1 above). Similarly Manchester could raise £310m towards the Metrolink Phase III development.⁷⁶

The Lyons Final Report was deliberately overshadowed by the Budget, and it is somewhat intriguing that such an important and much-anticipated review has received such a muted response across the board, although this may in large part be down to the imminence of local elections in May. It will be interesting to see if a more open debate is conducted in the coming months, or whether Lyons' report is consigned to history as a set of good ideas best forgotten.

As noted in the January Monitoring Report, Government expected interested local authorities to submit to DCLG applications for unitary status. By the deadline of 24 January DCLG had received 26 proposals, and the final shortlist was announced, a week late, on the 27 March, hours before the enforcement of *purdah* ahead of the local elections in May. The full list of successful bidders was as follows:

- Bedfordshire County Council – for a single unitary authority for the county
- Bedford Borough Council – for a unitary Bedford
- Cornwall County Council – for a single unitary authority for the county
- Cheshire County Council – for a single unitary authority for the county
- Chester City Council – for two unitary authorities for the county
- Cumbria County Council – for a single unitary authority for the county
- Durham County Council – for a single unitary authority for the county
- Exeter City Council – for a single unitary authority for the city
- Ipswich Borough Council – for a single unitary authority for the borough
- North Yorkshire County Council – for a single unitary authority for the county

⁷⁶ Lyons Inquiry, *Place-shaping*, op cit; see also A. Marshall, 'Inching towards local economic power', *Regeneration and Renewal*, 30 March 2007

- Northumberland County Council – for a single unitary authority for the county
- Northumberland Districts – for two unitary authorities for the county
- Norwich City Council – for a single unitary authority for the city on existing boundaries
- Shropshire County Council – for a single unitary authority for the county
- Somerset County Council – for a single unitary authority for the county
- Wiltshire County Council – for a single unitary authority for the county⁷⁷

There were a number of surprises, including the failure of Oxford City Council to make the list, and that there were a number of competing applications for unitary counties and districts in Bedfordshire, Northumberland and Cheshire. There is a strong possibility that these will give rise to considerable political strife. Even where applications within a county are not actually competing, nevertheless in some cases applications for unitary status are being opposed by the relevant county or conversely, by constituent districts. Indeed, it has since emerged that it was precisely fears of the political fallout that apparently prompted former local government minister David Miliband to intervene and try to remove competing bids from the list, leading to the aforementioned delays.⁷⁸ The 16 bids will now be subject to a 12 week public consultation – and in some cases considerable political wrangling – and a final decision will be announced by Government in July.

⁷⁷ List taken from *Communities and Local Government News Release 2007/0058*, 27 March 2007, available at <http://communities.gov.uk/index.asp?id=1002882&PressNoticeID=2387>

⁷⁸ 'Cabinet was "split" over unitary decision,' *LocalGov*, 4 April 2007, at www.localgov.co.uk/index.cfm?method=news_detail&id=52962

10. Conclusion

Over the early part of 2007 developments in the English Regions were subject to both delay and uncertainty. Delay because further movement on regional reform effectively remains off the agenda for immediate action until later in the year when the review of sub-national economic development and regeneration and the Comprehensive Spending Review reach a conclusion. Uncertainty because many of the initiatives that were expected to concern or that seemed likely to influence regional developments (notably the DCLG White paper in November and any subsequent legislation and the Lyons Report) have either failed to address the regional issue or kept discussion of it at such a general level that no truly substantial, concrete policy initiatives have ensued. Uncertainty also because the exact architecture of English regionalism remains very much in the balance between the standard region framework and that of city-regions – or more probably some mixture of the two. And even though city-regions have in general been encouraged, there is little of a practical nature that has been done to take the issue significantly forward. As the Communities and Local Government Select Committee's inquiry into the future of English regional governance noted, there is a danger that initiatives at the city-region level will lose momentum unless there is clearer direction from central government.

English regionalism then, is still in a state of limbo, but the possible outlines of a future settlement are beginning to emerge. First, if city-regions are to be given a chance to develop, that will only be allowed within the context of maintaining standard regions. Any schemes would need to be complementary rather than competitive, especially so far as relations with Regional Development Agencies are concerned. What matters here is how much of a chance will be given to city-regions. Will extra resources be involved? Will central government be ready to legislate if necessary? Second, it follows from the above that there will need to be a wider re-think of existing regional structures and how city-regions are to relate to the extant regional tier of governance – especially the Assemblies, the GOs and the RDAs. Perhaps a closer linking of these together under a re-vamped and strengthened RDA – as advocated in the most recent NLGN pamphlet (see section 4 above) – could offer a way forward. Third, both the encouragement of city-regions and the reconstruction of regional bodies and any renewed role for local

government must somehow be done in such a way as to avoid duplication of activities and to provide feasible and convincing means of accountability and scrutiny.

By contrast there has been one area in England where progress and reform have occurred: London, the one English region that needs to be treated separately in the debate. And, if we are addressing the economic aspects of the regional issue, we need also to include as special cases London's adjacent regions of the South East and East Anglia, which taken together make up what might be termed the greater south east. In any attempt to understand what we mean by England and English regionalism it seems necessary to treat London as a rather special and particular place. As the evidence presented in this report shows, the creation of the GLA has opened up opportunities for London both at home and overseas. In part this reflects the deeper point that London – and its hinterland – has for long been a world focused trading and financial centre pursuing interests that reflect its global status. This has led some to characterise London as a kind of offshore island or a city state detached from its wider homeland: as a place that is fundamentally engaged outward into the world economy rather than the domestic one. There is some truth in this characterisation, but essentially London looks *both* outward and inward – it is powerful both at home and abroad – and its power in one sphere feeds off and into its power in the other. It is this Janus-like quality that gives London its special and unique character. Indeed the fact of London creates a very special kind of spatial politics in England. No other large country in the western world has such a dominant region at its very core that is not only one of the major centres of international commerce but also serves as the political, administrative, business, communications and cultural capital of the nation. To try to understand England without reference to the special place of London is simply to miss the most important point. That the unique case of London is not in itself generally seen as odd is also remarkable and suggests that there is an underlying resilience to the idea which is embedded in the consciousness of national policy makers. Any serious regional policy needs to at least begin to address this phenomenon.

A further item highlighted in this report is the issue of funding. This matter is right at the heart of regeneration and location policy: how to pay and who benefits? In the cases of the Olympics, Crossrail and other regeneration projects across England these are becoming central questions. The decline in the availability of European Union structural

funds as money is spread towards the new east European member states has left those regions who benefited most from them (mainly the South West, and the two Midlands and three northern regions) without one significant source of seed funding for regeneration projects. Many initiatives in the northern regions have depended on the availability of these funds matched by local and national contributions. Indeed much of the renaissance of Liverpool has been propelled by nearly ten years of EU objective 1 funding. So as the Lyons enquiry's proposal for levying an infrastructure business rate and the EU Commission's attempt to create development loans under the JESSICA scheme indicate, the search is now on for new forms of funding. This is a matter that will undoubtedly become more pressing and one to which we will return in future reports.

DEVOLUTION
MONITORING
PROGRAMME
2006-08

English Regions Devolution Monitoring Report

September 2007

Martin Burch, Alan Harding and James Rees

**Institute for Political and Economic Governance
University of Manchester**

ipeg

Institute for Political and
Economic Governance
at The University of Manchester

The Devolution Monitoring Programme

From 1999 to 2005 the Constitution Unit at University College London managed a major research project monitoring devolution across the UK through a network of research teams. 103 reports were produced during this project, which was funded by the Economic and Social Research Council (grant number L 219 252 016) and the Leverhulme Nations and Regions Programme. Now, with further funding from the Economic and Social Research Council and support from several government departments, the monitoring programme is continuing for a further three years from 2006 until the end of 2008.

Three times per year, the research network produces detailed reports covering developments in devolution in five areas: Scotland, Wales, Northern Ireland, the English Regions, and Devolution and the Centre. The overall monitoring project is managed by Professor Robert Hazell and Akash Paun at the Constitution Unit, UCL and the team leaders are as follows:

- Scotland: **Peter Jones**
Honorary Senior Research Fellow, The Constitution Unit, UCL
Former political correspondent for *The Economist*
- Wales: **Dr Richard Wyn Jones & Dr Roger Scully**
Institute of Welsh Politics, University of Wales, Aberystwyth
- Northern Ireland: **Professor Rick Wilford & Robin Wilson**
Queen's University, Belfast
- English Regions: **Martin Burch, Alan Harding & James Rees**
IPEG, University of Manchester
- The Centre: **Akash Paun**, The Constitution Unit, UCL

The Constitution Unit and the rest of the research network is grateful to all the funders of the devolution monitoring programme.



All devolution monitoring reports are published at: www.ucl.ac.uk/constitution-unit/research/devolution. Contact Akash Paun on a.paun@ucl.ac.uk for further information.

**Prime Minister Brown:
A Renewed English Regional Agenda?**

English Regions Devolution Monitoring Report

September 2007

Martin Burch, Alan Harding and James Rees

EXECUTIVE SUMMARY	6
CHRONOLOGY OF KEY EVENTS – APRIL TO AUGUST 2007.....	9
1. MAIN DEVELOPMENTS	10
2. REGIONAL STRUCTURES	14
2.1 The New Prime Minister, Ministerial Changes and Departmental Restructuring	14
2.2 The Treasury and the Sub-National Review	17
2.3 The Regions Select Committee Report	23
2.4 Development Agencies.....	24
2.5 Other Regional Agencies.....	25
2.6 Greater London Authority.....	27
2.6.1 Other London Issues	29
2.7 City-Regions.....	32
2.8 Other Regionalised Agencies and Actions	32
3. PARTY POSITIONS ON REGIONAL ISSUES	34
4. PUBLIC ATTITUDES, IDENTITY AND RESEARCH.....	36
5. REGIONS IN PARLIAMENT.....	38
5.1 Regions and the Parliamentary Programme	38
5.2 Parliamentary Debates	38
6. REGENERATION AND LOCATION POLICY.....	42
6.1 The Continuing Super Casino Saga	42
6.2 Regional Planning and Housing Developments	43
7. EU ISSUES	47
8. FINANCE	48
9. LOCAL GOVERNMENT	49
10. CONCLUSION	51

Acronyms and Abbreviations

ALG	Association of London Government (renamed London Councils)
CSR07	Comprehensive Spending Review 2007
DBERR	Department for Business Enterprise and Regulatory Reform
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DTI	Department of Trade and Industry
DIUS	Department for Innovation, Universities and Skills
EEDA	East of England Development Agency
EP	English Partnerships
ERDF	European Regional Development Fund
ERN	English Regions Network
ESF	European Social Fund
GOs	Government Offices in the Regions
IPA	Independent Performance Assessment
IPPR	Institute for Public Policy Research
LAA	Local Area Agreement
LGA	Local Government Association
LOCOG	London Organising Committee of the Olympic Games
LSC	Learning and Skills Council
MAA	Multi Area Agreement
NAO	National Audit Office
NLGN	New Local Government Network
NWDA	North West Development Agency
NWRA	North West Regional Assembly
ONE	One North East (RDA)
ODA	Olympic Delivery Agency
PAC	Public Accounts Committee
PSA	Public Service Agreement
RDA	Regional Development Agency
RES	Regional Economic Strategy
RSS	Regional Spatial Strategy
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SWRDA	South West Regional Development Agency
SNR	Sub-national Review of Economic Development and Regeneration
TGoB	The Governance of Britain (Governance green paper)

Executive Summary

- Following Brown's reshuffle there are three new Cabinet ministers (Darling, Hutton and Blears), and two new departments (the Department of Business, Enterprise and Regulatory Reform, DBERR, and the Department for Innovation, Universities and Skills, DIUS) dealing with regional and sub-national matters. However, the new line-up does not suggest any significant change in the general trajectory of English regional policy and its primary focus on economic regeneration.
- The DBERR is to be the prime driver of English regional policy. It will be responsible for the regional development agencies and it has taken lead responsibility for achieving the regional economic performance PSA. All other relevant government departments will be expected to demonstrate more clearly how they propose to support the delivery of the PSA in future spending periods.
- The regional financial allocations consultation process will be re-run during the forthcoming spending period, and extended to a wider range of investments in the regions.
- For the first time every standard region will have a junior minister representing it in government. These individuals will have some responsibility for their regions as well as holding other full-time ministerial posts. They are intended to provide each region with a voice in central government, and to make central government more evident in the regions.
- According to the government, formal and consistent parliamentary scrutiny will be applied to regional ministers, and through them, regional agencies – RDAs and GOs. One way of achieving this could be through the establishment of nine regional select committees.
- The eight unelected regional assemblies are to be phased out by 2010 and their planning responsibilities transferred to RDAs. The work of the RDAs, who will be responsible for producing a single, overarching regional strategy, will be scrutinised by new joint local authority bodies. In general the RDAs are expected

to become more 'strategic' and whenever possible to delegate responsibilities to sub-regional and/or local levels.

- The first Multi-Area Agreements (MAAs) between local authorities are expected to become operational by mid-2008. For the first time, the government has made a commitment to explore creating statutory city- or sub-regional authorities for economic development purposes where there is a demonstrable 'bottom up' commitment to them.
- Local authorities are to be given greater incentives to promote economic development and regeneration. A number of initiatives are being considered such as introducing a specific economic development responsibility for local government; recasting local authority audit and assessment arrangements to give greater priority to indicators of success in economic development and regeneration; consultation on a new power for local authorities to levy a supplementary business rate for economic development purposes; and transferring education funding for 16-19 year olds from learning and skills councils.
- Many of the above points are laid out in the sub-national review (SNR). This and other policy pronouncements make it clear that the regional economic performance PSA target remains the principal statement of the Government's aspirations with respect to regional development, quite how it will be possible to encourage the maximum level of sustainable development in all regions whilst reducing the gap in growth rates between London, the South East and the East of England region and the rest of the regions remains unclear. Neither is there any firm indication about how the latter aspiration is to be achieved.
- Audit Commission research reveals that local authorities were relatively satisfied with the way that Government Offices coordinated regional activities, less satisfied with RDAs, and very dissatisfied with regional assemblies' performance in this area. The benefits to councils from engagement with GOs and RDAs were fairly visible, whereas the assemblies added complexity and the benefits of involvement were less clear.
- The Mayor of London has continued to maximise the opportunities that the limited powers granted to the GLA have opened up and to exploit the increased

presentational benefits that the existence of a regionally focused authority allows.

- There has been growing concern about the loss of income to good causes consequent upon diverting more National Lottery funds to the Olympics. The government and the Mayor of London have put in place arrangements for sharing the expected profits from sales of land and property following the Games with the Lottery funds.
- The government had originally expected to raise £738m of private sector money for the Games but the Public Accounts Committee sees little prospect of this being achieved. The level is now expected to be around £165m.
- The Conservative Party Cities Taskforce (led by former Deputy Prime Minister Lord Heseltine) has recommended more powerful city governments in order to underpin further economic development.
- The super casino issue looks to be off the agenda following the Prime Minister's announcement of a period of reflection pending a report on the incidence, prevalence and social effects of gambling.
- Housing is a key priority of the new government. In his first major speech as Prime Minister, Gordon Brown pledged to focus on 'affordable' housing. The importance of housing was underlined by the promotion to the Cabinet of Housing Minister – and key ally – Yvette Cooper.
- Nine proposals for unitary status for local authorities will go forward for implementation some time in late 2007.

Chronology of Key Events – April to August 2007

- 3 May Local elections held in England
- 10 May Tony Blair announces he will stand down on 27 June 2007
- 16 May It is confirmed that Gordon Brown will be the next Prime Minister as potential rivals fail to secure enough support in the Party
- 21 May Planning white paper *Planning for a Sustainable Future* published by DCLG
- 23 May Publication of National Audit Office report on the Thames Gateway
- 27 June Prime Minister Blair formally resigns. Gordon Brown is appointed in his place
- 28 June Most of new Cabinet and Government appointed including 9 regional ministers
- 3 July *The Governance of Britain* green paper is published by the Ministry of Justice
- 17 July Treasury publishes *The Review of Sub-national Economic Development and Regeneration*
- 20 July Publication of National Audit Office Report on the budget for the 2012 Olympics
- 23 July Housing green paper *Homes for the future: more affordable, more sustainable* published by DCLG
- 26 July Parliament rises for the summer recess

1. Main Developments

For much of this monitoring period it felt like politics, and to an extent the country was on hold, waiting for Gordon Brown who was widely expected to replace Tony Blair as Prime Minister. Additionally, a number of important policy developments were anticipated – at some point – by those familiar with debates around the regions and sub-national governance and economic development. In the event, the ‘coronation’ of Prime Minister Brown was followed by a succession of major policy announcements, and most significantly, the sub-national review – packed into July before MPs packed up for the summer.

The first significant event of the monitoring period was the local elections in England on 3 May, widely touted by the media as an opportunity for electors to cast a verdict on the ten-year-old Blair administration. The main story of the elections, however, was that despite overall losses, Labour was not dealt the punishing blow many commentators had been expecting. Conversely, the Conservatives had little to be cheerful about. Labour’s vote largely held up in the big cities – Sheffield and Manchester for example – suggesting that voters were rewarding competent management of urban areas. Also indicative of this was the Liberal Democrats gaining control in Hull, where previously Labour had been the largest party in a council of no overall control. On the one hand then, the Conservatives had failed to make crucial electoral progress in many urban areas, while from a regeneration and development perspective, the lack of administrative change meant that there was little impact on the delivery of policy. Elsewhere, fears that the BNP would make gains proved unfounded as they made no significant progress in the seats they were contesting. The results could not have been much better for Gordon Brown, then the clear front runner in the unofficial contest to succeed Tony Blair. On the 10 May the latter officially announced his intention to stand down as Prime Minister on 27 June, opening the way for a contest within the party to choose his successor.

Only six days later it was confirmed that Brown was certain to become the Prime Minister as it became clear that he had received 308 nominations, forcing the only remaining rival, John McDonnell, to concede. The much-vaunted ‘orderly transition’ had come to pass, although there were murmurs in the press that the lack of a contest – and the accompanying democratic mandate – may come back to haunt Brown. Nevertheless, the handover of power on 27 June went extremely smoothly, to the benefit of both Brown’s and Labour’s poll standings.

Not surprisingly Brown attempted to distance himself from the Blair years; as he stood somewhat nervously outside Number 10 after returning from Buckingham Palace he emphasised his credentials as a serious politician who hoped to restore the public's trust in politics and government:

This will be a new government with new priorities...As I have travelled round the country and as I have listened and I have learnt from the British people – and as Prime Minister I will continue to listen and learn from the British people – I have heard the need for change. Change in our NHS, change in our schools, change with affordable housing, change to build trust in government, change to protect and extend the British way of life. This change cannot be met by the old politics.¹

Clearly this was intended as a break with his predecessor's administration which many critics felt had presided over a period of erosion in public trust in government. He also promised a 'government of all the talents', bringing individuals from outside the Labour Party into government. Perhaps more significantly the Brown administration let it be known that the power of Parliament would be enhanced, after years of perceived decline, and there would be a return to a cabinet style of government. In a clear break with what came to be seen as Blair's penchant for 'spin' and presentational management, major policy announcements were to be delivered to Parliament before journalists were briefed on their contents. Somewhat ironically of course, these changes were largely presentational, but nevertheless set the tone for what Brown hoped was a more serious, less showy form of leadership. Contrary to the expectations of some in the media, it appeared to strike the right chord with the electorate and helped deliver Labour's much-hoped-for 'Brown bounce'.

Brown's fine words were almost immediately fleshed out in a green paper presented to Parliament by Brown on 3 July. *The Governance of Britain* (TGoB) represented Brown and his close allies' vision for constitutional reform, aiming to renew democracy and restore trust in government, and to start a 'national debate' on these issues. Its goals are:

- To invigorate our democracy, with citizens given the means to participate in decision-making at every level;
- To clarify the role of government, both central and local;

¹ Transcript of Gordon Brown's speech in Downing Street, at http://news.bbc.co.uk/1/hi/uk_politics/6246114.stm

- To rebalance power between Parliament and government, and give Parliament greater ability to hold government to account;
- To give British people a stronger sense of what it means to be British, and to include them in a debate on the future of the country's constitution.²

TGoB sets out a number of more explicit proposals to limit the power of the executive, make the executive more accountable, 're-invigorate' democracy and clarify citizens' relationship with the state and what it means to be 'British'. Though it might be expected that this ongoing debate will have consequences for devolution and decentralisation, it remains unclear how far this will actually impact on the future shape of regional governance. One concrete and important development was that TGoB put forward the proposal for regional select committees in Westminster, though it seems their practicality and remit will need to be explored further.

Meanwhile, Brown appointed a series of regional ministers as he built his ministerial team in the days after 27 June. Again, it was somewhat unclear what these ministers would actually do, though a key role – to be a champion of their region in Parliament – is fairly obvious. In terms of the relevant Cabinet roles as far as regional and sub-national issues go, Alistair Darling stepped into Brown's shoes at the Treasury; Hazel Blears became Communities and Local Government Secretary; and John Hutton moved to the newly-created Department for Business, Enterprise and Regulatory Reform (DBERR) with responsibility for the regional development agencies (RDAs) (see section 2.1 below).

The next key event was the publication of the long-awaited sub-national review of Economic Development and Regeneration (SNR), prepared by the Treasury and the now-defunct Department of Trade and Industry. The headline announcement of the SNR was the abolition of regional assemblies – and the transfer of their functions to much-strengthened Regional Development Agencies. The SNR therefore is likely to be seen as significant in setting the course for the shape of regional and sub-regional governance for the remainder of Brown's time in office, though major uncertainties remain as to how RDAs will shoulder their new role and how they will interact with potentially complex accountability arrangements. The SNR is dealt with in considerable detail in the remainder of this monitoring report, as are – more tentatively – the implications of the housing green paper, published the following

² Ministry of Justice, *The Governance of Britain*, CM 7170 (London: Stationery Office, 2007), at: www.official-documents.gov.uk/document/cm71/7170/7170.pdf

week. This green paper carried forward Gordon Brown's determination to expand access to 'affordable' housing, and since delivery of housing will impact in different ways in the regions, and will call on the planning function of the regional tier, it will continue to be important to monitor this important agenda.

2. Regional Structures

2.1 The New Prime Minister, Ministerial Changes and Departmental Restructuring

Tony Blair's resignation from and Gordon Brown's succession to the premiership in late June 2007 brought a number of ministerial changes affecting English sub-national government in the subsequent reshuffle. Notable amongst these were the move of Ruth Kelly from DCLG to Transport and her replacement by Hazel Blears. Brown's replacement as Chancellor, Alistair Darling, is considered the archetypal 'safe pair of hands' and his appointment is therefore unlikely to betoken any change in the Treasury's approach to sub-national reform and regeneration policy in England. Two new departments with responsibilities relating to regional governance and economic development in England were also created: the Department for Business, Enterprise and Regulatory Reform (DBERR) under John Hutton and the Department of Innovation, Universities and Skills (DIUS) under John Denham. The DBERR is tasked with taking the lead on promoting 'productivity and enterprise' and is expected to work closely with the DCLG on 'making sustainable improvements in the economic performance of all English regions'. The DBERR will take lead responsibility for achieving the Regional Economic Performance PSA and will be responsible for the RDAs. The DIUS has assumed responsibility from the DTI for science and innovation and will oversee the science budget. The department will also be responsible for pursuing the government's skills agenda including the implementation of Lord Leitch's review of Skills, published in 2006.³ As a result of the changes across Whitehall three departments ceased to exist: The DTI, the Department for Education and Skills (DfES), and the Deputy Prime Minister's Office.

The DBERR will also be responsible for a new Business Council for Britain. This will be made up of senior figures from the business community and will report to the government on progress in improving Britain's economic and business environment. It is not yet clear as to who will sit on this council and whether they will be representative of both areas and regions as well as business sectors such as services and manufacturing.⁴

³ Burch, M., Harding, A., and J. Rees, *English Regions Devolution Monitoring Report: January 2007*, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Regions_Jan07.pdf, p. 16.

⁴ Prime Minister's Office, *PM Announces Government Changes*, News Room, 28 June 2007, www.pm.gov.uk/output/page12164.asp

Amongst junior ministerial appointments the most important from a sub-national point of view are those of Yvette Cooper who continues to hold the post of Minister of State for Housing in the DCLG (she will attend Cabinet while not being a full member of it) and John Healey, who has moved from the Treasury – where he was one of the authors of the SNR – to become Minister of State for local government (policy and finance), again in the DCLG. In this post he replaces Phil Woolas, who has been moved to DEFRA.⁵ Healey has for long been an advocate – along with Ed Balls (now Secretary of State for Children, Schools and Families) – of preserving the role of development agencies as the driving force for central government’s regeneration efforts in the standard regions.⁶ The other junior ministers in the DCLG are Baroness Andrews, Parmjit Dandha and Ian Wright, all of who hold the positions of parliamentary under-secretaries and whose exact responsibilities have yet to be publicised.

The appointment of Tessa Jowell as Minister for the Olympics and Minister for London (Paymaster General) continues the well-established tradition of having a London minister in the administration. She will attend Cabinet without being a full member of it. In fact her ministerial post is in the Cabinet Office, though she will report directly to the Prime Minister. She will have overall responsibility for managing the Olympics project.⁷ The exact arrangement is that the Government’s Olympic Executive will remain within the Department for Culture Media and Sport but will report to Ms Jowell.⁸ As noted above, the minister for London is now complemented by ministers for the other eight standard regions of England. These will have some responsibility for their regions and, like the Secretaries of State for Scotland and Wales, also hold full-time ministerial portfolios, though at a junior level. The full list of these ministers was announced on 28 June and is set out below.

According to *The Governance of Britain*, these regional ministers will be broadly responsible for providing a clear sense of strategic direction for their region. They will provide each region with a voice in central government, and make central government more evident in the regions.

⁵ Ben Willis, ‘Healey takes on local government’, [Regeneration & Renewal](#) (6 July 2007), pp. 1 and 5.

⁶ See Burch, Harding, and Rees, *English Regions Devolution Monitoring Report: January 2007*, pp. 36-37 and Burch, Harding, and Rees, *English Regions Devolution Monitoring Report: April 2007*, p. 38, both at: www.ucl.ac.uk/constitution-unit/research/devolution/devo-monitoring-programme.html.

⁷ Prime Minister’s Office, *Briefing from the Prime Minister’s Spokesman on: Cabinet*, (afternoon press briefing from 28 June 2007)

⁸ Prime Minister’s Office, *Written Ministerial Statement on Machinery of Government Changes*, 28 June 2007, at: www.pm.gov.uk/output/page12181.asp

Regional Ministers	Region	Main ministerial post
Jonathan Shaw	South East	Parliamentary Under Sec – DEFRA
Liam Byrne	West Midlands	Minister of State – Home Office
Ben Bradshaw	South West	Minister of State – Health
Caroline Flint	Yorks and Humber	Minister of State – Work and Pensions
Barbara Follett	East of England	Parliamentary Under Sec - Work and Pensions
Gillian Merron	East Midlands	Parliamentary Under Sec – Cabinet Office
Beverley Hughes	North West	Minister of State – Children, Schools and Families
Nick Brown	North East	Deputy Chief Whip
Tessa Jowell	London	Olympics Minister, Cabinet Office

More specifically regional ministers are expected to fulfill a range of functions ‘mostly clustered around the responsibilities of the Government Offices and the RDAs, particularly in relation to economic development.’⁹ They will be able to take questions in Parliament on the work of regional bodies, and on regional strategies. And they will be ‘a visible representative of their area’, taking a key role in bringing together local services and different arms of government at important times for the region, whether in bidding for or hosting major events or when dealing with major difficulties such as the severe flooding in June 2007.

In fulfilling these broad responsibilities and functions the role of regional ministers will involve:

- advising the DBERR on the approval of regional strategies and appointment of RDA Chairs and Boards;
- representing regional interests in the formulation of central government policy on economic growth and sustainable development in areas of policy that have not been devolved to the RDAs;
- facilitating a joined up approach within their region, across government departments and agencies to enable the effective delivery of the single regional strategy;
- championing the region at high level events and through high profile projects (including through a programme of regional visits);

⁹ Ministry for Justice, *The Governance of Britain*, op cit, p.37

- representing the government in the UK Parliament with regard to central government's policy on their region.

The relationship with Parliament is seen as essential in ensuring that regional ministers are accountable and the government holds that they should be subject to 'formal and consistent parliamentary scrutiny'. Following the Communities and Local Government Select Committee's proposal, one means of achieving this scrutiny could be the establishment of nine regional select committees.¹⁰ This is a matter that needs to be determined by Parliament, however, and much depends on the feasibility of the proposal and resources being available to carry it through.

The appointment of regional ministers is an intriguing development. It is not yet clear how the posts will work out in practice, how they will be co-ordinated across government and how they will relate to their regions, whether extra resources and personnel will be supplied and whether busy junior ministers will have enough time left from their other commitments to play an effective role in their region and in Westminster and Whitehall on behalf of their region. Noticeably none of the ministers are from the relevant policy departments – Treasury, DCLG, DBERR, DIUS and Transport – which makes sense as there could be a conflict of interest. However it does raise the question as to how the regional ministers will be organised to have access to these regional policy making departments.

2.2 The Treasury and the Sub-National Review

The long awaited review of sub-national economic development and regeneration – the 'sub-national review' (SNR) for short - was published by HM Treasury on 17 July.¹¹ The product of an 18-month process, it is the first major statement of the Government's approach to sub-national institutional reform in relation to spatial development policies and priorities since the plan for elected regional government in England was abandoned in the wake of the North East referendum late in 2004. The SNR's core objective was 'to identify, ahead of the 2007 Comprehensive Spending Review, how to further improve the effectiveness and efficiency of existing sub-national structures in England – including governance, incentives and powers – and identify options going forward that maximise value for money and deliver changes on

¹⁰ House of Commons, ODPM, Housing, Planning, Local Government and the Regions Committee, *Is there a future for Regional Government?* Fourth Report of Session 2006-7, HC352-I.

¹¹ HM Treasury, DBERR and DCLG, *Review of sub-national economic development and regeneration*, (London: The Stationery Office, 2007), at: www.hm-treasury.gov.uk/media/9/5/subnational_econ_review170707.pdf

the ground', specifically to help the government make better progress in achieving the aspirations set out in Public Service Agreements on regional economic performance and neighbourhood renewal.

In order to achieve this objective, the review was required to:

- 'Consider the optimal geographical levels for governance and decision-making for functions directly linked to successful economic development and regeneration of deprived areas
- Map the current governance arrangements and incentives for encouraging economic growth and regeneration at all sub-national levels, establishing in particular the interfaces between regional and local institutions
- Establish the value for money and effectiveness of key current interventions for encouraging regional economic growth, and develop proposals for improvements
- Build on existing work to identify the key drivers of neighbourhood renewal and regeneration, addressing in particular how socially excluded groups and deprived areas can both share in and contribute to sub-national economic growth, and
- Establish the value for money and effectiveness of interventions aimed at tackling spatial deprivation, including targeted regeneration funding ... and mainstream funding.'

This was a demanding set of analytical challenges for the review team, drawn from HM Treasury, the DTI (as was) and the DCLG, to address. Had the team had the time, resources and capacity to develop a fundamental, comprehensive approach, it would have needed to test the robustness of a set of assumptions that implicitly underpinned its tasks, paramount among which are:

- That it is possible to separate out functions that are directly linked to economic development and regeneration from a broader range of public sector activity and to specify the governance arrangements and incentive structures that determine the effectiveness with which they are delivered,

- That such functions have optimal scales at which they are best designed and/or delivered and that, once these are identified, any implications about their 'fit' can be managed (e.g. there are ways of coping with the possibility that the scales might vary by functional area or be different from those associated with current administrative geographies), and
- That economic development and regeneration programmes (a) were built upon a sophisticated understanding of the causes of the challenges they are designed to overcome (as opposed, for example, to sets of metrics that can be used to designate areas considered to be in need of assistance), and (b) had been, or could be, evaluated against efficiency and value for money criteria in such a way that comparisons can be made across programmes and policy instruments (i.e. it is possible to demonstrate that 'more of x and less of y' would better address the needs of place z).

In reality the evidence to support these assumptions is, at best, patchy. It is therefore understandable that the review adopted a pragmatic and focused approach which concentrated upon what is known about those public sector activities that *explicitly* aim to enhance economic development at a variety of sub-national scales and to regenerate particular, designated neighbourhoods. The first key task of the review team was to bring together existing 'hard' evidence on the performance and governance of explicit economic development and regeneration programmes and the changing contexts within which they operate. The second was to marshal and make sense of softer, more qualitative and, inevitably, more partisan judgements about what has and has not worked, where, how and why, and to recommend potential improvements. As is suggested by the report's appendices, these tasks were completed through 'in house' analysis of various primary and secondary sources and the weighing of external contributions from local authorities, economic development and regeneration partnerships, NDPBs, think tanks, academia and the private sector, some of them written and submitted independently, others arising from a round of regional stakeholder consultations organised by the review team.

The adoption of a pragmatic approach was clear by the time of the 2007 budget, which anticipated that the SNR's recommendations would concentrate upon:

- 'Strengthening local authority incentives and decision making powers to improve economic outcomes and tackle concentrations of deprivation
- Developing mechanisms to drive sub-regional collaboration across functional economic areas, including city regions, and considering the case for devolving individual powers and functions
- Improving economic planning and decision-making processes at the regional level, partly through better alignment of regional strategies and partly through enhancing the strategic role of RDAs, improving RDA capacity, efficiency and effectiveness and increasing regional accountability
- Ensuring clearer objectives for regeneration and renewal at national, regional, local and neighbourhood levels, with sharper incentives for improving performance, clearer accountability and more effective coordination, and
- Strengthening the interface between the public and private sectors to maximise the effectiveness of investment.¹²

By this point, attention had clearly come to focus upon the various scales at which explicit economic development and regeneration programmes are (and might, in future, be) delivered and on attempting to ensure that the institutions and partnerships active at those scales are (a) fit for purpose, (b) held to account for their decisions, and (c) encouraged to pull in the same broad direction. In the final report it is possible, reading between the lines, to see how the review team responded to some of the common criticisms aimed at organisations involved in programme design and delivery whilst also offering something positive to the majority of them and balancing the different concerns and priorities of central government departments.

The key announcements and proposals in the report that were pitched at the various spatial levels described in the Budget statement can be summarised as follows:

- At the *national* level: consistent with a revised approach to PSAs, the review announced that the DBERR would assume lead responsibility for achieving the regional economic performance PSA whilst at the same time making it clear that

¹² HM Treasury *Budget 2007*, p 47, available at: www.hm-treasury.gov.uk/budget/budget_07/bud_bud07_index.cfm

other government departments would be expected to demonstrate more clearly how they propose to support its delivery in future spending periods. To support this, a commitment was made to rerun the regional financial allocations consultation process with regional agencies during the forthcoming spending period, extended to a wider range of investments in the regions. On the thorny issue of accountability, the review reiterated the earlier announcements that regional ministers would be appointed, and regional committees set up (see section 2.1 above).

- At the *regional* level the review announced: a timetable for the abolition of regional assemblies and the transfer of their planning responsibilities to RDAs and their scrutiny role with respect to RDAs to new and as yet undefined joint-local authority bodies; an enhanced responsibility for RDAs to produce a single, overarching regional strategy; a streamlining of RDA relations with Whitehall whereby DBERR becomes the sole sponsor of RDAs and their tasking framework is simplified in order to encourage a clearer focus upon economic development, and; an expectation that RDAs will become more 'strategic' and delegate responsibilities to sub-regional and/or local levels unless there are overwhelming reasons for them to be retained at the regional level.
- At the *city- or sub-regional* level, the review reinforced messages contained within the earlier local government white paper to the effect that (a) guidance on the production and delivery of Multi-Area Agreements (MAAs) would be produced so that the first round of agreements become operational by mid-2008 backed, where necessary, by the placing of a duty of co-operation upon local authorities, and (b) proposals in the Local Transport Bill in respect of city-regional transport regulation would be strengthened. In addition, and for the first time, the government made a commitment to explore the possibility of creating statutory city- or sub-regional authorities for economic development purposes where there is a compelling case that can be presented and demonstrable 'bottom-up' commitment.
- At the *local* level, the review committed the government to introducing or exploring a series of measures whereby local authorities could be given greater incentives to promote economic development and regeneration, including: the potential introduction of a specific economic development responsibility for local government; the recasting of local authority audit and assessment arrangements

to give greater priority to indicators of success in economic development and regeneration, and; consultation on a new power for local authorities to levy a supplementary business rate for economic development purposes. It also announced the transfer of education funding for 16-19 year olds from learning and skills councils to local authorities and an intention both to reduce the level of funding devoted to neighbourhood renewal programmes, in recognition of the improvements that have occurred in even the most deprived areas as a result of consistent national economic growth, and to link future funding more overtly to tackling worklessness, cognisant of the stubborn persistence of pockets of deprivation in areas whose residents find access to the labour market especially difficult.

Overall, the SNR tables a significant package of incremental change. Whilst the majority of its proposals reiterate or develop existing lines of thinking and many still need to go through consultative and/or statutory processes before they can result in tangible outcomes, it is nonetheless a serious and considered attempt to tidy up some of the anomalies and weaknesses of a set of arrangements which, having originally been predicated upon a relatively weak model of devolution to the English regions outside London, needed to be adapted to new circumstances. Its proposals are broadly decentralist and permissive, motivated by an apparent acceptance that Westminster and Whitehall do not know best and a genuine desire to create a framework in which the onus is upon sub-national organisations and interests at various scales to demonstrate that they have the understanding, capacity and will to improve performance and take advantage of additional incentives from national government.

Quite what those incentives might be, how powerful they might prove and where they might be applied, however, remains unclear. Equally, whilst it is hard to see how anyone working in the fields of economic development and regeneration at sub-national level could fail to welcome large parts of the review, it is difficult to discern a clear sense of national priorities as between different scales of activity (and the organisations that populate them) or between the potential and needs of different places. It is therefore hard to predict the potential outcomes of the new 'settlement' it heralds with any certainty given that so much will rest upon voluntaristic, bottom-up leadership and coalition building, the 'nesting' of regional and sub-regional strategies and programmes, and the effectiveness with which sub-national interests are able to lobby at the national level and broker selective 'deals' with government departments.

It is doubly difficult to second guess the future given that the SNR rarely acknowledges that economic development and regeneration is easier to achieve in some areas than others or that this is an issue of concern to national as well as sub-national government. Whilst the regional economic performance PSA target remains as the principal statement of the government's aspirations with respect to spatial development, quite how it will be possible to encourage the maximum level of sustainable development in all regions whilst reducing the gap in growth rates between London, the South East and the East of England region and the rest of the regions remains unclear. Neither is there any firm indication about how the latter aspiration is to be achieved. This is apparent in the sections of the report that deal with the fit between the SNR and the series of Treasury-sponsored independent reviews – for example on local government (Lyons), transport (Eddington), housing and planning (Barker) and skills (Leitch) – that ran in parallel. The report's reading of the findings of these reviews is selective – it refers, for example, to common concerns with structures and processes for sub-regional governance – and overlooks the fact that one thread running through Eddington and Barker, in particular, is a concern to manage the challenges faced by areas that have experienced particularly high levels of economic growth rather than others that would dearly love to face such problems.

As the dust begins to settle on the SNR, attention will inevitably shift to the 2007 Comprehensive Spending Review announcement, due in the autumn. This will give the first indication of the extent to which the logic of the SNR, based on improvements at all scales and in all areas across a relatively narrowly defined set of explicit programmes, can be made consistent with an *implicit* approach to spatial development that seems likely to give priority to areas that have benefited most from recent patterns of economic change.

2.3 The Regions Select Committee Report

The government's response to the *Is there a future for regional government?* report produced by the Communities and Local Government Select Committee was published on 11 May. The committee report, summarised in an earlier monitoring report, had posed some sharp questions of the government, particularly in respect of political oversight and scrutiny of regional agencies and service delivery in the regions more generally and of the nature and status of the government's approach to city-regional policies and governance arrangements. Because the SNR had not been

published at the point at which the government response appeared, it was able to do little more than suggest that the bulk of the major issues raised by the committee would be addressed by the SNR. In light of this, the committee elected to wait until it had had the opportunity to consider the SNR before formulating its response to the government.

2.4 Development Agencies

A great deal has already been said about the growing centrality of RDAs to English regionalism, particularly in the light of the SNR. This has been the major story of the period so far as the RDAs are concerned, but a few other developments are worth noting.

An interesting indication of the likelihood of further progress in developing effective sub-regional economic development initiatives emerged in April. It was announced that the three Northern RDAs – One North East, Yorkshire Forward and NWDA – were developing a ‘Pan-Northern Places Fund’ with the Northern Way¹³ and private investors. The proposed public-private regeneration vehicle would capitalise on land owned by the three RDAs, totalling perhaps £150m, based on the existing Blueprint initiative piloted in the East Midlands. ‘The model being considered, pioneered by Blueprint, is to set up a 50-50 joint venture between the agency and a private investor with the aim of redeveloping land assets. The public sector body provides the land and the private investor the development capital.’¹⁴ The initiative could finally give real flesh to the Northern Way initiative which has been struggling to achieve real institutional coherence and practical outcomes since its formation in 2003.¹⁵

The South West Regional Development Agency (SWRDA) is anticipating using ERDF resources to fund projects that shift the region towards being a ‘low-carbon economy’. Projects might include developing tidal power generation, increased energy efficiency in business, and investment in new environmental technologies.¹⁶

Later this year RDAs will take over responsibility for administering the ERDF from Government Offices, an issue that will be covered in the next monitoring report. See also section 7 below.

¹³ www.thenorthernway.co.uk

¹⁴ Gardiner, J. ‘Funding and Finance’, *Regeneration and Renewal*, April 27 2007

¹⁵ See: www.thenorthernway.co.uk/downloaddoc.asp?id=297&page=230&skin=0

¹⁶ Anonymous, ‘Euro fund plan for a greener region,’ *Regeneration and Renewal*, 25 May 2007

2.5 Other Regional Agencies

At the very end of the last monitoring period the Audit Commission published its submission to the SNR, which drew on research carried out on regional governance (primarily looking at regional assemblies) carried out in 2005-2006. The report is interesting in two respects: its focus on regional assemblies and its highly critical findings on RAs and, more widely, its presentation of evidence on the complexity and confusion of regional governance from a local authority perspective. In particular, the main research was based on a survey of local authorities, though other fieldwork methods such as interviews were also used. In brief, the Audit Commission found that local authorities were engaging in regional governance, for example 96 per cent of councils are members of their regional assembly. However, the majority of councils feel that the assemblies are poor value for money – perhaps because ‘Many working for regional bodies and within councils find working at the regional level frustrating and time-consuming’. Councils were found to be relatively satisfied with the way that Government Offices co-ordinated regional activities, less satisfied with RDAs, and very dissatisfied with regional assemblies’ performance in this area. In short, it was found that the benefits to councils from engagement with GOs and RDAs were fairly visible, whereas the assemblies’ added complexity and the benefits of involvement were less clear.

Moreover, the most striking finding was quite severe hostility to regional assemblies amongst the council chief executive and council leaders who responded to the survey, for example 21 per cent of chief execs and 32 per cent of council leaders were ‘very dissatisfied’ with regional assemblies – the equivalent figures for Government Offices were 4 and 12 per cent respectively.¹⁷

The Audit Commission grouped its findings into a number of fairly concise criticisms or suggestions for change:

- **Complex regional arrangements leading to a lack of clarity about roles and responsibilities**

In the absence of a clear framework laid down by central government or the regions themselves, regional bodies have continued to be created on an ad hoc basis with little clear sense of where they fit in with the existing structure.

¹⁷ These, and other figures quoted in this section are from Audit Commission *Regional Governance Survey 2005, Final Topline Findings*, 6 March 2006, available at: www.audit-commission.gov.uk

- **Leadership seen as weak at a regional level**

Leadership is seen as being divided between the three principal regional bodies.

- **Multiple lines of accountability**

In the survey, the accountability of regional bodies was felt to be the main weakness in the way that public services are governed at the regional level... no regional body is directly accountable to the public.

Importantly, 45 per cent of chief executives and 55 per cent of council leaders thought that the accountability of regional bodies was 'very weak'.

- **Governance arrangements tailored to the needs of each region**

The absence of formal guidelines from government has resulted in different approaches to regional working being developed on a region-by-region basis, which many stakeholders consider a positive development.

- **Finding the right level of governance**

Many of the people interviewed believed that some system of multi-level governance is both necessary and appropriate, or at least a necessary reality of English governance...particularly at the sub-regional scale

- **Status quo not sustainable, but no consensus on the way ahead**

When council leaders were asked how they would like to see regional assemblies develop over the next ten years, only 6 per cent thought their powers and responsibilities should stay the same, 61 per cent thought they should have fewer powers and responsibilities, but a sizeable 28 per cent thought they should have more powers and responsibilities.¹⁸

Much of this evidence was fairly damning, and it appears likely that these pointed criticisms fed into wider dissatisfaction with assemblies that led almost inevitably to the decision to abolish them. Current indications are that they will be phased out by government by 2010.

¹⁸ Adapted from Audit Commission *Submission to the sub-national review of economic development and regeneration*, March 2007, available at: www.audit-commission.gov.uk

2.6 Greater London Authority

On 16 July, after some speculation in the London media, Boris Johnson, Daily Telegraph columnist and MP for Henley-on-Thames, announced that he would seek the Conservative Party's nomination as its candidate for the mayoralty of London. The election of the Mayor and the 25-member London Assembly is due to take place on 1 May 2008. There were said to be around 40 others who were seeking the Conservative nomination,¹⁹ though the number was whittled down to about 10 candidates, including Johnson, who were interviewed by senior Conservatives who then selected four – Boris Johnson, Victoria Borwick, Warwick Lightfoot and Andrew Boff - to go forward to an open primary ballot of voters in which any of London's 5.3 million registered voters, and not just existing Conservative party members, will be able to cast a vote for the Tory candidate,. This is highly innovative, although non-Conservative party members will need to call a special ballot hotline, at a cost of £1 a minute, to register to vote. There are to be four scheduled hustings open to all members of the public. The ballot closes on 26 September and the winner is expected to be announced by the end of that month. According to the Guardian Mr Johnson 'is the hot favourite to win the primary race.'²⁰

The present incumbent, Ken Livingstone, has already been chosen as the official Labour candidate for mayor. The Liberal Democrats have yet to select a candidate, whilst the Green Party, Respect and the BNP have already done so. The founder of the Big Issue magazine, John Bird, is to stand as an independent.

The contest around the mayoralty is interesting as it has become one of the highest profile political jobs in the UK. As argued in our last report the GLA and its Mayor provide a telling example of how decentralised government in England might work.²¹ In particular while the London authority enjoys limited (albeit recently expanded) powers it has been able to maximise the opportunities that these powers have opened up and to exploit the increased presentational benefits that the existence of a regionally-focused authority allows. There are a number of examples during this monitoring period of this practice of seizing on and expanding limited opportunities and exploiting the possibilities that a high profile public platform affords.

¹⁹ Will Woodward, 'Phooley! One-man melting pot ready to take on King Newt', *The Guardian*, 17 July 2007

²⁰ Helene Mullholland, 'Tories open up mayoral hustings to all Londoners', *The Guardian*, 20 August 2007.

²¹ For information on the international role of the Mayor and the GLA see Burch, Harding and Rees, *English Regions Devolution Monitoring Report: April 2007*, op cit, pp. 24-26.

Take the case of health policy which was highlighted towards the end of our monitoring period with the Mayor setting out priorities for action to tackle health inequalities in London. This was in the form of a report based on an extensive review of published evidence and submissions from nearly 100 community and voluntary sector organisations across the capital. The document starts a consultation process through to November 2007 seeking views on how the Mayor should fulfil the new duty to tackle health inequalities proposed in the Greater London Authority Bill, currently before Parliament. The report notes that there are considerable variations in Londoners' health – both between different areas and between different groups. Poor quality housing, unemployment and the lack of access to public services are all seen as contributing to unequal health outcomes.²² Hence the focus on health policy raises a far wider range of issues for London policy makers to develop and lobby through to central government.

Another issue that has been increasingly highlighted by the Mayor and the GLA is climate change. This has involved the GLA in a number of initiatives such as establishing an information and best practice agreement on climate change initiatives with the City of Stockholm, for long recognized as a leader on these matters in the European Union. The Mayor also launched a consultation on a proposed scheme to charge those cars that make the biggest contribution to global warming up to £25 to drive in the present central London Congestion Charging Zone. High CO2 emitting cars represent about 8 per cent of the cars registered in London and under the proposed scheme would also lose their entitlement to the residents' discount. The least polluting vehicles will receive a 100 per cent discount and not pay any congestion charge.²³

A further example of effectively exploiting limited opportunities was the meeting on 26 July at City Hall between the Mayor and Alex Salmond, the SNP First Minister of Scotland. They met to discuss issues of mutual concern to London and Scotland, including security, transport investment, community relations and economic development. They discussed infrastructure investment and in particular the issuing of bonds and other forms of financing it. This was pure PR but also an indication of

²² Greater London Authority, *Reducing Health Inequalities: Issues for London and Priorities for Action*, London: GLA, 2007, at: www.london.gov.uk/mayor/health/docs/finalissuesforlondon2007.pdf

²³ GLA Media Centre, *Tackling climate change - consultation on higher charges for gas guzzlers*, Press release 493, 8 August 2007. www.london.gov.uk/mediacentre/all_releases_list.jsp?searchfrom=mayor&pager.offset=10

what a substantial regional entity that can command public and media attention is able to do.²⁴ The same can be said of initiatives such as the London Living Wage (set at £7.20) which does not have a statutory basis but has helped to shape the climate surrounding pay negotiations in the capital.

2.6.1 Other London Issues

London Olympics 2012

As outlined in our last report, the then Secretary of State for Culture, Media and Sport, Tessa Jowell, announced in March a substantially revised budget for the 2012 London Olympics totalling over £9bn.²⁵ The revised budget was nearly treble the size of the original estimate and increased total National Lottery funding for the Games to £2.2bn. Of this about £1.7bn is to be diverted from non-Olympic good causes – the arts; sport; heritage; charities and voluntary groups; and health, education and environment projects. As well as the £1.1bn that is to be transferred directly from these good causes, the newly designated Olympic lottery games are also having a diversionary effect with an estimated £575m coming from players who switch from other lottery games. In recognition of the National Lottery's contribution to the Games, the government and the Mayor of London have put in place arrangements for sharing the profits that are expected to be generated from sales of land and property following the Games. The arrangements are set out in a revised memorandum of understanding between the government and the Mayor of London (27 June 2007). It includes an estimate of the receipts that the Government expects to be available for repayment to the Lottery (some £675m), though the precise value will depend on prevailing market values at the time.²⁶

The issue of Olympic funding remained high on the public agenda with the publication in July of the House of a critical Commons Public Accounts Committee's (PAC) report on the preparations for the London Olympics as well as a National Audit Office (NAO) report on the new budget estimates.²⁷ In its report the PAC warned about any slippage in the delivery programme, noted that the Government had originally expected to raise £738m of private sector money but judged that 'now there is little prospect of significant private sector funding being achieved'. The committee

²⁴ GLA Media Centre, *Joint Statement from the First Minister of Scotland and the Mayor of London*, Press Release 477, 26 July 2007, at: www.london.gov.uk/mediacentre/all_releases_list.jsp?searchfrom=mayor&pager.offset=10

²⁵ Burch, Harding, and Rees, *English Regions Devolution Monitoring Report: April 2007*, op cit, pp. 26-27.

²⁶ The Economist, *The Olympics and Charities: Grabbing for gold*, 23 August 2007

²⁷ House of Commons Public Accounts Committee, *Preparations for the London 2012 Olympic and Paralympic Games: Risk assessment and Management*, 39th Report, Session 2006-7, HC 377.

argued that as the ultimate guarantor of funding for the games the government is financially exposed and must ensure that the projected costing and revenues of both the London Organising Committee of the Olympic Games (LOCOG) and the Olympic Delivery Authority (ODA) are kept under control. The committee also noted that there is a lack of clarity about how venues will be used after the Games and that legacy plans for using the five new venues that will remain after 2012 should now be finalised. The plans for delivering the wider benefits from the Games, which were to have been in place by the end of 2006, should also be completed, with expected outcomes made clear. The committee argued that processes for monitoring and risk management arrangements are essential, but are not yet in place and as a matter of priority they should be put into place. Finally the committee returned to the diversion of National Lottery monies and called on the DCMS to give the Lottery distributing bodies frank assessments of by how much their income will fall, and to make it clear how they will seek to minimise the impact on the good causes. A more detailed evaluation of the Olympic budget was undertaken by the NAO.²⁸ The NAO noted that the Exchequer's contribution will now be around £6bn plus more than £2bn from the National Lottery with a significantly reduced level of anticipated private sector funding (now £165m). It also points to remaining areas of uncertainty including design specifications which have not yet been finalised, the impact of construction price inflation and how potential suppliers will respond to invitations to bid for work. The degree of uncertainty is reflected in the high level of contingency (£2.7bn) which has been provided. As in the case of the select committee's report, the NAO calls for more precise details of what is to be delivered and more detail about the wider benefits that will follow from the Games.

Crossrail

The Crossrail Bill continued its slow progress through Parliament with the select committee on the Bill hearing petitions relating to aspects of the proposal and examining the route in detail. The last hearing of the Committee was held on 10 July and at the moment there are no plans for further hearings.²⁹ The project remains one of the main priorities of the GLA for securing infrastructure investment, alongside the Olympics and affordable housing. The moot issues remain as to if and when the project will be approved by Parliament, and how it will be funded. Assuming the Bill completes its parliamentary hurdles, and a funding package can be pulled together to

²⁸ National Audit Office, *The Budget for the London 2012 Olympic and Paralympic Games*, HC 612, Session 2006-2007, (London: Stationery Office, 20 July 2007).

²⁹ House of Commons, Select Committee on the Crossrail Bill, *Uncorrected Transcript for 10th July*, HC 235xx, Session 2006-2007 at: www.publications.parliament.uk/pa/cm/cmccross.htm

cover the £10bn estimated cost, the completion date for Crossrail is now expected to be 2015.

*The Thames Gateway*³⁰

The other key greater London regeneration project, the Thames Gateway – covering the area stretching from Canary Wharf to the mouth of the Thames Estuary – was examined and evaluated by the National Audit Office.³¹ The NAO argues that if the aspirations for the Thames Gateway region are to be achieved then there has to be a marked improvement in how central government departments work with each other and with relevant regional and local bodies. It calls on the DCLG to improve its programme management: making its plans more coherent; and ensuring that investment is better targeted and that risks are better identified and managed. In response to this need and in line with one of the NAO's recommendations, the DCLG has introduced a cross-government board of senior officials to co-ordinate central government investment and provide stronger leadership. The report stresses that the government still does not have a single overall, fully costed plan for the programme to join up local initiatives, and commit central government to key infrastructure projects. The DCLG expects to publish a plan that meets these requirements in the autumn. The government estimates that its total investment in the region has been £7bn since 2003, of which Communities and Local Government allocated £673m. However, the report says that much more investment is needed to deliver the necessary infrastructure and services. The government has set targets for 160,000 new homes to be built in the Gateway between 2001 and 2016. The report notes that the number of homes delivered has risen from around 4,500 in 1995-96 to 6,000 in 2005-06. This rate of increase is below that of the rest of the Greater South East. The build rate will need to double from now on if the target is to be met.

The Thames Gateway project chimes in with Gordon Brown's commitment, on taking office as Prime Minister, to deliver 3 million more houses by 2020 (see section 6.2 below). The project also raises wider issues in the context of climate change as to the advisability of encouraging building on areas within the Thames Valley flood plain and the likely need to augment or replace the Thames flood barrier within the next 10 to 20 years. These issues are likely to become more hotly debated in relation to the Thames Gateway initiative in the months ahead.

³⁰ For more details see Burch, Harding, and Rees, *English Regions Devolution Monitoring Report: January 2007*, op cit, p. 35.

³¹ National Audit Office, *The Thames Gateway – Laying the Foundations*, HC 526, Session 2006-2007, (London: Stationery Office, 23 May 2007).

2.7 City-Regions

The 'behind the scenes' progress with the development of city-regional policy frameworks and governance arrangements reported in the last monitoring report continues and has been given further impetus by the SNR. The SNR acknowledges the important role played by cities and their hinterlands in recent patterns of economic growth and observes that the co-ordination of policies for economic development and regeneration is currently hampered by the fragmentation of initiatives across a number of local authority areas. It provides greater detail on the measures originally outlined in the white paper on local government. The timetable for the first wave of Multi-Area Agreements, for example, is clarified; guidance will be issued by the end of 2007 and the Government will then work with 'selected sub-regions and cities' to have the first MAAs in place by June 2008. The Audit Commission will be encouraged, when undertaking its Comprehensive Area Assessments, to consider whether local authorities within city- and sub-regions are taking advantage of the opportunities for working at this scale.

The SNR is also firmer than the white paper on the issue of city- and sub-regional governance. Subject to 'clear, transparent and accountable' frameworks being put in place by participating authorities, it commits the government to working together with the relevant authorities 'to establish statutory sub-regional authorities which enable pooling of responsibilities on a permanent basis for economic development policy areas beyond transport'³² through a process that will require primary legislation.

2.8 Other Regionalised Agencies and Actions

In June DCLG published its consultation document for the new national housing and regeneration agency Communities England (CE)³³. The consultation confirmed that the merger of English Partnerships and the Housing Corporation would go ahead, and also that key government functions would be devolved to the body, but left unclear where the boundaries would lie in its involvement with regeneration and hence its relationship with RDAs. An indication of CE's likely roles and reach into regeneration issues can be gleaned from the consultation however, which proposes that it will take control of the decent homes target in the social housing sector; deliver the housing growth targets; manage new housing through the Private Finance

³² HM Treasury, DBERR and DCLG, *Review of sub-national economic development and regeneration*, (London: Stationery Office, 2007), p. 91, at www.hm-treasury.gov.uk.

³³ DCLG *Delivering Housing and Regeneration: Communities England and the future of social housing regulation*, available at: www.communities.gov.uk/index.asp?id=1511392

Initiative; manage the housing market renewal programme; and oversee the Academy for Sustainable Communities amongst other things.

However clear this might have appeared at the launch of the consultation however, there has been public uncertainty since. Greater clarity on CE's roles and relationship with RDAs was expected to emerge from the SNR, but in the event it referred to the 'new homes agency' in only vague terms. One thing that appears certain is that a great deal of debate is still to be had within DCLG on the shape of the agency, and this in turn has been overtaken by later events, in particular the enhanced emphasis on home-building presage by the housing green paper. Even its name now seems undecided. Press reports have confirmed that the moniker Communities England will definitely be dropped – a new name will attempt to convey to the public the emphasis on the provision of new housing. However, the housing green paper did set out clear set of core functions:

- increasing the supply of housing – including delivering ambitious plans to increase the supply of affordable housing for rent and shared ownership and increasing low cost home ownership;
- regenerating underperforming urban centres and neighbourhoods to contribute to the achievement of sustainable development in England;
- transforming disadvantaged estates through promoting mixed communities;
- sustaining strong and stable existing communities by promoting a mix of income, tenure housing type, tackling worklessness, promoting community cohesion and the 'Respect' agenda;
- using public sector assets (particularly land) more effectively;
- innovating to improve efficiency, outcomes, leverage, spreading best practice, building capacity in partners and developing skills and knowledge needed to make better places;
- leveraging in significant increases in private finance from existing lenders and new institutional investors; and
- driving the adoption of high and rising environmental standards across the whole market³⁴

It seems likely that the implications for the regions will become considerably clearer in the next monitoring period.

³⁴ DCLG, *Homes for the future: more affordable, more sustainable* (London: Stationery Office, 2007)

3. Party Positions on Regional Issues

In a reshuffle following the formation of Gordon Brown's first government, Caroline Spelman was replaced as shadow Communities Secretary by Brentwood and Ongar MP Eric Pickles. Mr Pickles has been very active in parliamentary debates on regional issues over recent monitoring periods.

In June the report of the Conservative Cities Taskforce led by former Deputy Prime Minister Michael Heseltine was published. The main thrust of the report was to recommend more powerful city governments in order to underpin further economic development and 'renaissance'. The press inevitably seized on Heseltine's support for 'US-style elected mayors', an idea that also appeared to excite David Cameron, who commented that: 'A city, like a nation, needs a single individual at the top, someone everyone knows is ultimately in charge, and who is directly responsible to the citizens for the state of their community.'³⁵ However, what Heseltine was advocating was essentially a non-radical option of an executive mayor for the top-tier urban authorities.

And in a number of specific proposals Heseltine put forward ideas that are far from out of step with much mainstream (elite) debate over the future needs of urban and local government. The main proposals were:

- **Transferring power from quangocrats to democrats:**

The powers and funding of, for example, Learning & Skills Councils, the Housing Corporation and Regional Development Agencies should be transferred to local city government. Control over how this money is spent should be much closer to the people.

- **Bonds and business rates:**

On top of controlling capital funding currently held by quangos, the city governments should have the power to issue bonds and borrow on the open market, having their own credit rating. They should retain all the business rates they collect from new developments to provide incentives and funding for regeneration and infrastructure.

³⁵ Quoted in Wintour, P. 'Cameron backs Heseltine plan for elected mayors in big cities' *The Guardian*, 16 June 2007.

- **Bold leadership and powerful remit:**

Support for elected mayors in the cities which would ensure clear leadership and direct accountability. They would be held to account by councillors and the electorate. The mayors' powers would be extended to include passenger transport and highways, the delivery of welfare and direct oversight of the police etc.³⁶

Though not official Conservative policy, David Cameron responded positively to the majority of the report saying 'there is much to welcome and develop...The slashing of unaccountable regional bureaucracies. The creation of new tools for local councils – including bond finance. Greater freedom over how they spend their money.'³⁷ It therefore appears likely that the proposals will inform this area of the party's policy.

Not surprisingly, given their enduring hostility to the institutions, the Conservatives welcomed the abolition of regional assemblies announced in the SNR. However, shadow Communities Secretary Eric Pickles argued that the principle reason the assemblies had been abolished was government frustration at their opposition to the government's housebuilding plans. There may of course be some truth to this, as well as a modicum of political opportunism from Mr Pickles. Quoted in *The Times* he also argued that there remains a significant democratic deficit:

The Government's move is expected since many of the regional assemblies are criticising the lack of infrastructure and sustainability in its building plans, and Labour wishes to sideline this opposition... The regional assemblies are unelected, unaccountable and unwanted. But the musical chairs of passing their functions from one regional quango to another will do nothing to give local communities a greater say on where new homes should go, nor speed up the planning system.³⁸

Nevertheless, it seems that increasingly the Conservatives do hold a fairly clear policy position on this issue, recommending devolution of further powers to the local authority level, away from the 'regional quangos'.

³⁶ Cities Taskforce, *Cities Renaissance: Creating Local Leadership*. Submission to the Shadow Cabinet available at: www.conservatives.com/pdf/CityLeadership.pdf

³⁷ 'Heseltine calls for 'cities renaissance'', Press Release, 15 June 2007, at: www.conservatives.com/tile.do?def=news.story.page&obj_id=137145

³⁸ Sherman, J. 'Assemblies "face axe for opposing Labour homes drive"', *The Times*, 13 July 2007.

4. Public Attitudes, Identity and Research

Deloitte produced a report addressing the regional outlook for the UK economy in this monitoring period. Firstly, the Deloitte authors note the very considerable economic disparities that exist between the different regions within England – which contribute to making the UK economy ‘seriously divided, and seriously unbalanced’ – and the stark fact that economic activity is disproportionately concentrated in the south of England.³⁹ London and the South East have considerably higher levels of GDP per head than the rest. Further, London and the South East have been the fastest growing regions in recent times. London, for example has seen its share of UK output rise from 15.2 per cent to 17.0 per cent between 1989 and 2005, although this growth is partly driven by population growth, particularly immigration. Even so, London followed by the South East has seen almost the highest increase in GDP per head between 1989 and 2005 (Northern Ireland, in fact, has seen the fastest growth). The underlying driver of these changes has been economic restructuring: the shift in the composition of the economy away from manufacturing to services has adversely affected the North and Midlands and benefited, broadly speaking, the South. According to Deloitte, this shift still has some way to go, impacting on the former areas which still have the heaviest manufacturing bases.

Thus far, this is a familiar story and a similar argument is rehearsed in more detail in the chapter by these authors in the forthcoming *State of the Nations* book.⁴⁰ However, Deloitte believe that there are good reasons to think that the disparity between the growth rates of the different regions is unlikely to grow significantly, suggesting that ‘we are perhaps heading for an era where the different regions of the UK will contribute more equally to the economy’s progress.’⁴¹ Key to their argument is that sectoral changes have mostly run their course: in particular, manufacturing is unlikely to contract much more. They estimate that manufacturing’s share of GDP may fall from 13 per cent to 11 per cent by 2015. They also suggest that there has been a blurring of the North-South divide, arguing, perhaps less convincingly, that there will be a continued growth in financial and business services in northern cities such as Leeds and Manchester. And finally, there are many constraints, environmental and market-related on further growth in London and the South East, reducing the extent to which London can pull ahead.

³⁹ Deloitte Economic Review: The regional outlook for the UK economy Third Quarter 2007, available at: www.deloitte.com/dtt/article/0,1002,cid%253D82694,00.html

⁴⁰ Burch M., Harding A., and Rees, J. ‘The English Regions and London’, in A. Trench, ed, *State of the Nations*, Imprint Academic, forthcoming.

⁴¹ Deloitte, *op cit*, p 3.

Overall, they predict that London's share of GDP will only increase by 0.8 per cent between 2005 and 2025, while the 'worst-performing' region, the West Midlands, will only decline by 0.4 per cent. The gap between the richest and poorest is predicted to increase therefore, but less spectacularly than in recent decades. As Deloitte point out, it is also worth bearing in mind that even in regions seeing a shrinking share of the pie, that pie will increase substantially – no region is likely to see an absolute decline in its output.

On a similar theme of regional disparities, in June the three regional agencies in the East of England (EEDA, EERA and GOE) published a report prepared by CEDOS/CSS, targeted partly at the upcoming SNR and CSR. The authors identify an implicit bias in government policy, which favours the larger 'core cities' at the expense of the future economic well-being of the East of England region:

There is concern at the over-emphasis in Government policy on the core cities and their 'city regions', which are increasingly seen as the functional areas on which to focus economic development investment and activity.⁴²

In contrast, 'too often, our smaller cities, towns and rural areas are typecast as playing a secondary, supporting role to the core cities'.⁴³ The study argues that the focus on the larger urban areas which are predominantly in the North and Midlands of the country is 'profoundly unhelpful' to the East of England where economic growth is centred around medium-sized towns and cities. At heart they argue that the city-region concept is inappropriate in this area and its rigid application may serve to widen regional inequality. Instead it argues that government, in the interests of 'sub-national economic development', should recognise and engage with the existing sub-regional entities – counties and unitaries – that already have a strong identity and functional coherence. There is already a track record of sub-regional partnership, indicated by six councils which are already co-operating in a partnership called Regional Cities East, to share 'best practice'. The authors stress the importance of sub-regional working, citing the success of the Greater Norwich Development Partnership of four local authorities, in contrast to the example of Harlow where local authorities have been in conflict over housing expansion.⁴⁴

⁴² CEDOS/CSS *Making the Most of Our Economic Potential: Looking Beyond the Core Cities*, p 4 available at www.aequalis.co.uk/cedos/publications.html

⁴³ *Ibid*, p 5.

⁴⁴ Regional Cities East, *Framework for Urban Collaboration in the East of England*, available at www.rce.org.uk/documents.htm

5. Regions in Parliament

5.1 Regions and the Parliamentary Programme

The following updates refer to the progress of each bill by the close of Parliament on the 26 July.

The Local Government and Public Involvement in Health Bill was still undergoing amendments at the committee stage in the House of Lords.

The Sustainable Communities Bill was introduced by Conservative backbencher Nick Hurd, and takes forward the bill announced in the Conservative pamphlet *The Permissive State*.⁴⁵ It takes a more radical approach than the Government's Local Government and Public Involvement in Health Bill and will:

Make provision for the Secretary of State to publish action plans in connection with promoting the sustainability of local communities and to enable local authorities and local communities to participate in the formulation and implementation of those plans; to require the Secretary of State to provide information on government spending in local authority areas to local authorities upon request; to make provision for local authorities to produce local spending plans; to require the Secretary of State to approve and implement those plans; and for connected purposes.⁴⁶

The bill was not expected to be supported by the government but as the committee stage progressed a number of compromises were made which led to a re-writing of many of the clauses in the bill. Further amendments were made at the report stage.⁴⁷ On 26 July the bill moved through Lords report stage without debate.

The Greater London Authority Bill moved through report stage in the Lords. It seems likely therefore to be enacted early in the next session.

5.2 Parliamentary Debates

John Healey presented the SNR to Parliament on 17 July. His Conservative shadow, Eric Pickles, responded in the traditional manner, crowing over the abolition of RAs, but also trying to portray the move as of a piece with the Labour government's

⁴⁵ Cameron, D. and Spelman, C. *The Permissive State: How to Achieve Local Social Responsibility*, available at www.conservatives.com/pdf/thepermissivestate.pdf

⁴⁶ Quoted at www.publications.parliament.uk/pa/pabills/200607/sustainable_communities.htm

⁴⁷ Gay, O. *The Sustainable Communities Bill Committee Stage Report*, Research Paper 07/54, 12 June 2007, available at www.parliament.uk/commons/lib/research/rp2007/rp07-054.pdf

alleged control freakery and intolerance of opposition because some RAs had opposed the government's push for increased house building. Thus:

It is clear that the Minister comes here not to praise the former Deputy Prime Minister, but to bury him. The regional assemblies were the apple of the eye of the former Deputy Prime Minister – now little is left of the old regime but rubble, broken promises and chaos. Once the people of the north-east rejected regional government by referendum, the writing was on the wall for the assemblies...

Is not the reality that these unloved institutions have ceased to be the Government's poodle because they stood up for local communities and local people? Now that the regional assemblies are criticising the lack of infrastructure and sustainability in the Government's building plans, Ministers are seeking to sideline their opposition.⁴⁸

He continued by questioning the Government on the sticky issue of democratic accountability, as well as promoting the Conservatives' recent policy line on localism:

This is a rebranding exercise masquerading as localism. The key tests are these: are the decisions taken locally and are the decision makers democratically accountable to local people?

On page 95, the review makes it clear that RDAs will become the regional planning bodies in place of the regional assemblies. The regional assemblies are unelected, unaccountable and unwanted and we will not mourn their passing. However, is not their abolition just a game of musical chairs, passing their functions from one distant regional quango to another?⁴⁹

And the regional tier was portrayed as overburdened with red tape and bureaucracy, the SNR failing to address this and instead merely shifting the complexity around:

The regional spatial plans of the regional assemblies contradict the regional economic strategies of the regional development agencies—so much for joined-up government. If the Government wish to speed up the planning system, should the first step not be to scrap the quagmire of regional planning? How do the new regional economic growth initiatives...square with protecting the countryside, planning against flooding, reducing carbon emissions and improving quality of life? Is not the environment now just a passing fashion for the Government? I fear that the RDAs now have England's green belt in their sights.⁵⁰

⁴⁸ Commons Hansard, 17 July 2007, Col. 163

⁴⁹ Ibid.

⁵⁰ Ibid.

The central charge in all of this is that government has stealthily transferred power to the regional level, away from the people, creating a 'baffling array of conflicting, confusing and inconsistent quangos, grants and agencies?' and that the proposals for regional ministers and regional select committees will merely make matters worse, creating a 'regional tyranny of governance with no mandate, no legitimacy and no accountability. Only our party will dismantle the regional state, restore power to local communities and make government once more accountable to the people.'⁵¹

In particular, the minister rejected the charge that the changes would not make the regional tier more accountable:

We will be able to do so better than before and better than through two separate processes. Council leaders will have a stronger role in the new system, not a weaker one – much more so, in fact, than they did through the regional assemblies.

Let me make it clear that we are committed to ensuring that there is strong local authority oversight of housing and planning. The hon. Gentleman's party called for a stronger role for local authorities, and we are delivering that in the plans that I have announced this afternoon.⁵²

Labour MP Dr Phyllis Starkey, chair of the communities and local government select committee, queried the exact mechanism being proposed to ensure accountability of RDAs, and whether a hybrid committee composed of regional MPs and local authority leaders could hold the RDAs accountable. John Healey's answer indicated the likely direction of travel in this area, although it would appear that there is still some work to do in fleshing out the proposals, and no doubt considerable care is needed in working out its viability:

The principle that we are planning to put in place is that, at regional level, the performance of the RDA in preparing the single regional strategy and in delivering its part of the strategy, as well as the content of the strategy itself, should be subject to greater scrutiny in the region and in Parliament. In the region, that should be conducted by local authority leaders, who will be consulted and charged with scrutinising the preparation of the regional strategy. For the first time, they will also be charged with the role of approving the strategy.⁵³

⁵¹ Ibid, Col. 164.

⁵² Ibid, Col. 165.

⁵³ Ibid.

Liberal Democrat Andrew Stunnell questioned the remit of the regional ministers, particularly whether they represented further top-down control of local and regional affairs:

We could put that another way and say that this will involve a totally top-down process. Will the Minister explain how such a Minister—perhaps the Minister for the North West or, even more to the point, the Minister for London—will form a view about what the strategic direction for the region should be? Will he take his cue from the Secretary of State, from the regional development agency, from local authority leaders or just off the top of his head? The Minister may well feel that the loss of the regional assemblies is not a great one, but surely he would agree that any sense of strategic direction should come from the grass roots, from local communities and local authorities, rather than being imposed on high through ministerial edict.⁵⁴

⁵⁴ *Ibid*, Col. 166.

6. Regeneration and Location Policy

6.1 The Continuing Super Casino Saga

There were further developments in the 'super casino' saga when the Prime Minister announced, on 11 July, that there would now be a period of reflection pending a report on the incidence, prevalence and social effects of gambling, due in September. The Prime Minister expressed the hope that, in the meantime, 'we can look at whether regeneration in the areas for the super-casinos may be a better way of meeting their economic and social needs than the creation of super-casinos'.⁵⁵

The announcement brought confusion as to whether the government is now completely reconsidering its approach to the licensing of new casinos, the main thrust of which was ratified by both Houses of Parliament as part of the Gambling Act 2005, or is focusing only upon the largest of the three categories of new facility identified by the legislation – the 'regional' casino. The Casino Advisory Panel (CAP) which was set up to advise government on which authorities should be empowered to license new casino facilities recommended that Manchester be awarded the sole regional casino license on offer. The secretary of state at DCMS subsequently supported the CAP's recommendations on the 17 authorities that should be awarded licences – for the regional casino plus 8 large and 8 small casinos – when laying the Draft Gambling Order of 2007 before Parliament. The House of Lords then threw a spanner in the works when it decided, by just three votes, not to approve the Order just minutes before the Commons voted in favour of it.⁵⁶

The recent announcement delays a difficult decision for the government. Should it decide to proceed with licensing arrangements for all but the regional casino it will face criticism – and potentially a legal challenge – on the basis that the CAP's recommendations formed a package designed to ensure geographical balance in the location of new facilities and the testing of the social impact of casinos in a wide range of locations. On this view, if the government wishes to take the regional casino out of the equation, it has no choice but to start the selection process all over again. This option would also mean facing the issue of defining and supporting an alternative regeneration package for East Manchester that could generate a similar level of investment and local benefit. Alternatively, should the government decide to

⁵⁵ Commons Hansard, 11 July 2007, Col. 1438.

⁵⁶ For details see Burch, Harding, and Rees, *English Regions Devolution Monitoring Report: April 2007*, op cit, pp. 46-47.

re-introduce the same package of recommendations once more, it would need to be determined to face down the pressures from anti-gambling groups, a strong pro-Blackpool lobby and certain existing casino operators who wish to resist greater competition – the somewhat unholy alliance that dominated opposition in Parliament.

6.2 Regional Planning and Housing Developments

On his first day in office, Prime Minister Brown broke with post-1997 political precedent in putting housing near the top of the political agenda, admittedly just behind the traditional commitment to the NHS and education. Delivering his first speech outside Number 10 on 27 June he pledged to focus on ‘affordable’ housing, making expanding access to housing a key priority of his new government. Its importance was underlined by the promotion of Housing Minister – and key ally – Yvette Cooper, to the Cabinet. In setting out his programme of legislation to Parliament on 11 July he said:

Putting affordable housing within the reach not just of the few but the many is vital both to meeting individual aspirations and a better future for our country, so for housing and planning in the 2007-08 session there are three proposed bills.

Let me tell the House the scale of the new opportunities for home buying and to rent that we are proposing.

In two eras of the last century – the interwar years and the 1950s onwards – Britain made new house building a national priority. Now through this decade and right up to 2020 I want us – in environmentally friendly ways using principally brownfield land and building eco towns and villages – to meet housing need by building over a quarter of a million more homes than previously planned, a total by 2020 of 3 million new homes for families across the country.

So for England we will raise the annual house building target for 2016 from 200,000 to 240,000 new homes a year.⁵⁷

This strong commitment to housing has arguably driven some quite considerable changes in the regional policy-making arena. Though widely trailed in previous monitoring reports, major changes to the regional tier now appear to have been strongly shaped by the Brown agenda on housing, and are likely to have long-lasting legacies. A week after Brown’s statement to Parliament the housing green paper was published, confirming the headline plans announced earlier, as well as a commitment to expanding supply through the creation of ‘eco-towns’, and the return to a degree of

⁵⁷ Commons Hansard, 11 July 2007, Col. 1449.

housing provision by local authorities. At its heart however is the aim of increasing 'market housing, social housing and shared-ownership housing' in order to meet an urgent need to 'help young people and young families with children' get onto the housing ladder.⁵⁸ The majority of new housing, not surprisingly, will be built in the South East: Brown has clearly decided that the political rewards in terms of widening access to decent and affordable housing outweigh the costs of being portrayed as concreting over the sacrosanct English countryside. It therefore seems possible that Brown's new-found determination to drive through housing expansion was decisive in shaping some of the thinking around the various policy agendas connected to, not least, *The Governance of Britain*, the SNR, and the housing green paper and planning white paper, and in practice in creating regional structures that might be 'fit for purpose'. Most obviously, the RAs – which have no doubt consistently frustrated ministers by their failure to deliver increased housing supply – were seen by many commentators as the most obvious casualty of the renewed house building drive, notwithstanding that they were long-rumoured to be facing the axe.⁵⁹

As an example of the intricacy with which house building and the economic growth agenda are interwoven, TGoB was the first to officially float the idea that the regional ministers would 'enable the effective delivery of the single regional strategy'⁶⁰ presaging the arrival of a single strategy several weeks before it was confirmed in the SNR. A DCLG spokesman explained that 'The government believes that further joining up between strategies is vital to support growth and sustainable development.'⁶¹ This reflects the widely held view that Regional Economic Strategies (RES) and Regional Spatial Strategies (RSS) were often contradictory and based on different underlying economic assumptions, and also vary in the rigour with which they were developed. In addition, complexity and uncertainty at the regional level bogged down efforts to expand housing supply. However, at this point government was unwilling to say who would be responsible for the strategy and how it would be negotiated and scrutinised. With the publication of the SNR, it became clear that executive responsibility for spatial strategy would be handed to the RDAs, who would oversee 'single integrated regional strategies' encompassing the spatial planning functions and economic development priorities, latterly dealt with by the RSS and RES. So far this appears eminently sensible but crucially, the delivery of more

⁵⁸ Yvette Cooper quoted in Temko, N. and Mathiason, N. 'Councils to get prime role in adding three million homes', *The Observer*, 15 July 2007.

⁵⁹ Temko, N. and Mathiason, N. 'Councils to get prime role in adding three million homes', *The Observer*, 15 July 2007.

⁶⁰ Ministry of Justice, *The Governance of Britain*, op cit, p. 38.

⁶¹ Quoted in Baker, L. 'Strategies merger sounds alarm bells', *Planning*, 6 July 2007.

housing will be a central task, and it will continue to be probably the most politically contentious. Two particular issues seem most pressing at this stage. Firstly, presumably much of the existing hard work on setting housing targets will be taken forward within the new single strategy, but are RDAs likely to be any more successful than regional assemblies were? There are reasons to think that a more streamlined and focussed approach will pay off, but on the other hand the government's adherence to a determinedly centralised and top-down approach may still founder against sustained opposition. It appears unlikely that people, particularly in the 'overcrowded' South East, will suddenly welcome house building, even if there is now perhaps greater popular consensus on the need for change.

Secondly then, it follows that it is problematic that the ever-vexed issue of accountability of the regional tier is still far from resolved. The accountability problem appears to have been a considerable concern of policymakers, yet unfortunately the question has been left hanging in the air. All John Healey could offer to Parliament on 17 July was his intention to 'consult' further on the issue.⁶² This is something of an irony given the broad intentions of the governance green paper to offer concrete proposals on how to empower citizens and hold government to account. The SNR does suggest that the regional select committees will provide a strong scrutiny and accountability function for all regional matters. But it also proposes that a network of local authorities will hold the newly-strengthened RDAs to account within the region. The spatial planning side of the regional strategy will still be subject to the Examination in Public, and RDAs will have to consult widely on the single regional strategy. Perhaps the RDAs will find themselves looking both 'up' and 'down' for accountability. Furthermore, the SNR raised the possibility that councils will 'sign off' the draft regional strategy, handing them real power, but perhaps requiring them to think and act more strategically. But it must be said that the considerable uncertainty that remains simply reflects the need for all these issues to be thrashed out in government circles. Indeed, it is the density and complexity of these policy announcements that gives the impression that nearly everyone is still grasping around to make sense of the new landscape.

Given this major caveat, some pertinent questions seem to include:

⁶² Oral statement by John Healey MP on 17 July 2007, available at: www.communities.gov.uk/index.asp?id=1511916

- Can RDAs they take on this enhanced role effectively? They were set up primarily as economic development agencies, but are now being asked to take on board the hugely complex task of dealing with environmental and socio-economic trade-offs, consulting widely, and perhaps becoming increasingly less-focused?
- Will there continue to be a tension between promoting economic growth and planning for environmental sustainability? The SNR suggests that the RDA performance management framework will be simplified to create one overarching growth target.
- And how will RDAs deal with opposition? What will accountability mechanisms look like and will they be sufficient, or will they stifle delivery, particularly in the area of housing supply? In addition, questions remain about how RDAs will interact with the new national housing agency.

To say the least, the monitoring period has been a time of considerable policy upheaval and it is going to be interesting to observe whether greater clarity emerges in the remainder of 2007.

7. EU Issues

In April it emerged that the European Commission (EC) had suspended European Regional Development Fund payments to six regions because of apparent 'systematic deficiencies' in its administration, uncovered by a recent audit, in the period 2004-2005. The audit found that in affected regions – London, North West, North East, West Midlands, East of England and Yorkshire and Humberside – the 'necessary checks' had not been carried out on all projects. The money is paid in arrears by the EC to the Government Offices for the Regions, after an initial up-front payment by central government. The EC's Directorate General of Regional Policy gave the UK Government three months from March to ensure that the deficiencies had been resolved, with housing minister at DCLG Yvette Cooper having responsibility for ensuring this happens.⁶³

By the end of June Government admitted in a parliamentary written answer that DCLG had outstanding claims for ERDF funding of £269m when the EC suspended payments earlier in the year. Further reviews were carried out by the Government Office for Yorkshire and the Humber into projects funded through the Objective 1 programme, amid fears that several projects might not have been eligible for funding.⁶⁴ These audits appeared to be part of a DCLG action plan to ensure that the EC suspension would be overturned. Since the end of June, the issue has gone somewhat quiet, no doubt in part because of the tight parliamentary schedule towards the end of July and government's desire to keep the issue from becoming a source of political embarrassment.

⁶³ Carpenter, J. 'EC funding freeze raises sanction fear funding,' *Regeneration and Renewal*, 4 May 2007.

⁶⁴ Willis, B. 'Yorkshire EU projects face enquiry,' *Regeneration and Renewal*, 29 June 2007.

8. Finance

There is not much to report on finance other than the exploration of one suggestion contained in the Lyons report on local government: the proposal for a Supplementary Business Rate to be levied by local authorities for economic development purposes. As already noted in section 2.2 above this is mentioned in the SNR and the government is keen to consult on this issue to ascertain whether it is feasible and acceptable and if it is – how such a scheme would work. According to Dermot Finch, the Director of the Institute for Public Policy Research's Centre for Cities, a 2p business rate top-up in Birmingham City would eliminate the funding gap for the New Street station redevelopment, and a 2p levy across Greater Manchester would cover the local share of the Metrolink Phase 3 tram scheme.⁶⁵ It is also estimated that a 4p levy in Greater London would raise around £3bn for infrastructural projects such as Crossrail.

⁶⁵ Mathew Tempest, 'Regional Assemblies to be Scrapped', *The Guardian*, 17 July 2007.

9. Local Government

The proposals for unitary structures went out to consultation with stakeholders at the end of March, with a closing date of 22 June.⁶⁶ The list of successful areas for unitary council status was announced on 25 July by John Healey, DCLG minister. Nine proposals for unitary status will go forward for implementation, albeit dependent on the enactment of the LGPIH bill some time in late 2007. In DCLG's words:

Councils currently estimate that the nine new unitary authorities could save over £150 million per year which can be used to directly improve front line services or to reduce council tax bills.

The proposals open the door to creating flagship councils that will lead the way on promoting prosperity, empowering citizens and communities, and improving public services for the 3.5 million people in the areas going forward. The number of councils in these areas will be reduced from forty-six to eleven.⁶⁷

The nine successful authorities are as follows:

Councils submitting proposals	Proposed unitary structure
Bedford Borough Council	Bedford Unitary
Chester City Council	2 Unitary Cheshire
Cornwall County Council	County Unitary
Durham County Council	County Unitary
Exeter City Council	Exeter Unitary
Ipswich Borough Council	Ipswich Unitary
Northumberland County Council	County Unitary
Shropshire County Council	County Unitary
Wiltshire County Council	County Unitary

Those that will not proceed are:

⁶⁶ DCLG *Proposals for Future Unitary Structures: Means of Prioritising*.

⁶⁷ DCLG Press release, 25 July 2007, at: www.communities.gov.uk/index.asp?id=1002882&PressNoticeID=2470

Councils Submitting Proposals	Proposed unitary structure
Bedfordshire County Council	County Unitary
Cheshire County Council	County Unitary
Cumbria Council	County Unitary
Northumberland Districts	2 Unitary Northumberland
North Yorkshire County Council	County Unitary
Somerset County Council	County Unitary

Nevertheless, at the end of the period there was some way to go in finalising the list and exact arrangements. The four district bidders – Bedford Borough Council, Chester City Council, Exeter City Council and Ipswich Borough Council – have been asked to undertake further work to show ‘conclusively’ that their proposals are viable. Final decisions will be taken when the LGPIH Bill is enacted. In addition, Norwich City Council has a strong case for unitary status and has been asked to submit a revised proposal based on expanded council boundaries.⁶⁸ It is also by no means certain that in some of the cases – where councils have lost their status or face being dismantled – a legal challenge to Mr Healey’s decision could not be mounted.

⁶⁸ Golding, N. ‘What about the rest?’ *Local Government Chronicle*, 2 August 2007.

10. Conclusion

This was a monitoring period when policy concerning the sub-national level in England began to move forward – at least at the level of commitment if not yet in terms of actual action. The lines of policy have become clearer: a primary focus on economic regeneration; a flexible approach to response and delivery reflecting local circumstances and requirements; a concern with accountability; and recognition that Whitehall needs some readjustment in order to focus more tightly on the regional agenda.

Recognition also that, in an England that is still highly centralised, regional interests and voices from outside the London milieu in which central government is immersed, would benefit from enhanced access to key decision-makers at the centre. Whether the eight regional ministers will – given their other ministerial responsibilities – find the time and energy to be heard and to register a view will be the real test of the new arrangements. Given the concentration of decision making in the modern Whitehall and the ever-present writ of the Treasury, the penetration of these power points by a lone and busy junior minister, or even a collective of them, seems a tall order. Nevertheless the ministers, while junior, are at least on the inside, if not at the very core of Whitehall, and some of them are amongst the brightest and most ambitious of the new Labour cohort. Other than the weight they can carry, the critical question is whether they will be primarily a force for their region in central government or a force for central government in their region? They can certainly be both, but there will be times when they have to choose. When looked at in these terms, the career incentives appear to lie at the centre.

Changes in personnel have been paralleled by some proposed changes in means of delivery such as encouraging MAAs; a more substantial economic development role for local authorities; an enhanced and more streamlined role for RDAs as key facilitators; and a willingness, for the first time, to provide a statutory basis for 'city region' wide powers in the field of economic development.

Of course much of what is proposed will not move far without adequate resources being made available. All the indications are that the next comprehensive spending review settlement (CSR07) due in the autumn will be much less generous than the last two. Under a more constrained central expenditure profile, some schemes may fall by the wayside. A critical issue will be how proposed sub-national initiatives will

be funded in the context of less generous government spending – and here the declining contribution of the EU structural funds should be mentioned also. A search for new sources of funding is therefore inevitable and this issue of how to raise the money seems likely to dominate the next monitoring period as substantial public investors seek partners to carry forward some of the ambitious regeneration policies that are currently in the frame or are emerging: such as the pledge to provide 3 million new homes by 2020, improvements in transport such as Crossrail and the Greater Manchester Metrolink expansion, and major investments in infrastructure such as the Olympics and Heathrow expansion.

In sum, this has been a period of significant policy development, and like any such time there are a lots of uncertainties and questions remaining, but there is now a measure of momentum so far as English regional development is concerned. At least the train is moving even though it has not yet cleared the platform.