The Constitution Unit

DEVOLUTION MONITORING PROGRAMME 2006-08

English Regions Devolution Monitoring Report

January 2009

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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 Englsh Regions, and Devolution and the Centre. The overall monitoring project is managed by Professor Robert Hazell at The Constitution Unit, UCL and the team leaders are as follows:

Scotland:	**Dr Paul Cairney** University of Aberdeen
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Northern Ireland:	**Professor Rick Wilford & Robin Wilson** Queen's University, Belfast
English Regions:	**Prof Alan Harding & Dr James Rees** IPEG, University of Manchester
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All devolution monitoring reports are published at: http://www.ucl.ac.uk/constitution-unit/research/devolution/devo-monitoring-programme.html

English Regions Devolution Monitoring Report:
New Regional Structures for Changed Times

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Abbreviations Used

ALG	Association of London Government (renamed London Councils)
BERR	Department for Business, Enterprise and Regulatory Reform (formerly DTI)
CSR07	Comprehensive Spending Review 2007
DCLG	Department of Communities and Local Government
DEFRA	Department for Environment Food and Rural Affairs
EEDA	East of England Development Agency
EP	English Partnerships
ERDF	European Regional Development Fund
ERN	English Regions Network
ESF	European Social Fund
GOR	Government Office for the Region
HCA	Homes and Communities Agency
IPA	Independent Performance Assessment
IPPR	Institute for Public Policy Research
Jessica	Joint European Support for Sustainable Investment in City Areas
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
SNR	Review of Sub-National Economic Development and Regeneration
SWRDA	South West Regional Development Agency

Executive Summary

As part of Prime Minister Gordon Brown’s response to criticisms that the UK Government had failed to provide direction and leadership in response to the economic downturn, he announced a cabinet reshuffle and re-organisation of central government institutions intended to improve the co-ordination of a response for all parts of the UK, and regions of England. Thus was created: a National Economic Council, Council of Regional Ministers, and Regional Economic Council.

These are supported by Regional Economic Councils (or Forums) in each of the English regions, chaired or co-chaired by the relevant Regional Minister.

The two most significant Governmental statements of regional and sub-national governance policy were the Pre-Budget report and the publication by CLG and Berr of the response to consultation on the Sub-National Review, published respectively on the 24 and 25 November.

Of most interest for this monitoring report in the PBR was the statement that the Government would work with two city-regions towards the agreement of statutory status by the time that Budget 2009 is published.

The response to the SNR confirmed:

- A duty on local authorities to assess local economic conditions
- Legislation to create statutory Economic Prosperity Boards – voluntary arrangements between local authorities in a sub-region
- The single regional strategy will be jointly agreed between RDAs and the Local Authority Leaders’ Board in each region
- Government *would not* legislation to impel RDAs to delegate decision-making and powers down to sub-regional level

The relevant legislative items have gone into the Local Democracy, Economic Development and Construction Bill announced in the Queen’s Speech.

In November, the House of Commons voted to create a system of Regional Select Committees and Regional Grand Committees, and they come into effect on 1 January 2009, for an experimental period initially.

An announcement was expected in the period of a small number of new Multi-Area Agreements, agreed with CLG. In the event, three MAAs were completed and announced in January 12 2009.

Chronology of Key Events

2 September	Government announces a new inititiative, Homebuy Direct, a shared equity scheme aimed at helping first time buyers and beleaguered housebuilders. It will be partly funded by taking £300 million from the RDAs' approximately £6.6 billion 2008-2011 budget
16 September	The Thames Gateway Investment Plan is launched by the London Development Agency, East of England Development Agency and the South East England Development Agency
30 September	The North West Plan, the Regional Spatial Strategy for the region, is published, with a target to build 23,111 houses a year in the region by 2021
3 October	Cabinet reshuffle: Peter Mandelson returns to the Government as business secretary; Geoff Hoon replaces Ruth Kelly as transport secretary; and a new department – the Department of Energy and Climate Change – was created to be headed by Ed Miliband. Liam Byrne is promoted from Regional Minister for the West Midlands to Minister for the Cabinet Office, giving him a crucial role in the new Government structures in response to the downturn, as he also chairs the Council of Regional Ministers.
3 October	National Economic Council, Regional Economic Council, and the Council of Regional Ministers created by Prime Minister Gordon Brown
16 October	Council of Regional Ministers (CRM) meets for the first time in London
5 November	The Regional Economic Committee (REC) meets for the first time
24 November	Pre-Budget Report is published
25 November	Government response to the public consultation on Prosperous Places, setting out what the Government will do, is published
3 December	Queen's Speech
17 December	The Local Democracy, Economic Development and Construction Bill had its second reading in the House of Lords.
12 January	Three new MAAs formally signed-off at Downing Street

1. Main Developments in the English Regions

The period has again been dominated by the backdrop of economic difficulties, in particular the climax of the recent financial crisis that rocked the City of London in October, and the growing evidence of a deepening and widening economic recession affecting other sectors. In the light of this the evolving regional and sub-national reform agenda was partially re-shaped and re-presented as one part of the Government's response to the economic downturn.

On 3 October Prime Minister Gordon Brown announced a series of new Government structures on the same day as a major cabinet reshuffle that brought Peter Mandelson back into Government. This was, naturally enough presented as a 're-launch' of the Government aimed at regaining the political initiative over the rapidly deteriorating economy. First of these new structures was a National Economic Council (NEC) to frame and co-ordinate policy response to the economic crisis. The NEC is a cross-departmental ministerial forum, and a full Cabinet Committee, whose main role is to act as a forum in which to discuss the economic turbulence, and to prioritise "investments in education, skills, science and infrastructure".[1] The NEC is supported by two regional committees which provide a regional dimension to policymaking, announced on the same day, 3 October,

The Council of Regional Ministers (CRM) was also announced on 3 October and met for the first time on 16 October. It is attended by each of the Regional Ministers, as well as ministers for Scotland, Northern Ireland and Wales, to discuss the wider issues affecting the regions and to act on these issues, and bring them to the attention of the NEC. The CRM meets on a fortnightly basis, and within it Regional Ministers have been given "a clear mandate to work with public sector agencies in their regions" to deliver economic objectives. In addition the CRM is asked to identify "priority projects in each region that are critical to meeting current challenges and preparing each region for recovery".[2] In essence Regional Ministers are being asked to act as brokers to unblock barriers to the delivery of major infrastructure projects. The CRM is chaired by Liam Byrne, Minister for the Cabinet Office, and co-chaired by Chief Secretary to the Treasury Yvette Cooper.

[1] HM Treasury, 'Meeting the economic challenges in every region', released with the Pre-budget Report, 24 November 2008. See also http://www.number10.gov.uk/Page17067
[2] Ibid.

Secondly, a Regional Economic Council has been established to bring regional stakeholders (RDAs, local authorities, trade unions and business) and ministers together to discuss the "real issues" facing their local economies. This is claimed to be "a new approach to coordinating economic policies across government and regions".[3] The REC first met on 5 November 2008. It is chaired by the Chancellor and Business Secretary and will meet quarterly.

These national forums are mirrored by regional structures which have been set up in the light of the current economic problems, along similar lines, and each is chaired or in some cases co-chaired by the Regional Minister. For example, on the 25 November the South East Economic Delivery Council (SEEDC) met for the first time. The Council is co-chaired by the South East Regional Minister, Jonathan Shaw, and the Chair of SEEDA, Jim Braithwaite and has representatives from business and the public sector in the region. The focus for the South East appears to be on improving payment and cash flow issues for small and medium-sized businesses, as well as housing investment and opportunities for bringing forward infrastructure investments.[4] More recently the councils have come to be known collectively as Regional Economic Forums, and the others are:

- Joint Economic Commission (JEC) for the North West[5]
- South West Regional Economic Task Group[6]
- East of England Regional Economic Forum[7]
- East Midlands Regional Economic Cabinet[8]
- West Midlands Economic Council
- The Yorkshire and Humber Economic Delivery Group[9]

In a telling sign of the way in which existing institutions and programmes have been presented as one part of the UK Government's response to the downturn, Business Secretary Lord Mandelson said that RDAs were "crucial" to helping the regions weather the downturn. At the Northern regeneration summit in Manchester in October he said:

[3] Ibid.
[4] http://www.gos.gov.uk/gose/economy/786980/
[5] See http://www.gos.gov.uk/gonw/OurRegion/772906/?a=42496
[6] http://www.southwestrda.org.uk/sectors/economic-downturn/national-regional.shtm
[7] http://www.gos.gov.uk/goeast/our_region/RegionalMinister/762344/
[8] http://www.emda.org.uk/news/newsreturn.asp?fileno=3448
[9] http://nds.coi.gov.uk/content/detail.asp?NewsAreaID=2&ReleaseID=384621

> For me, the role of Regional Development Agencies will be crucial in this process. Led by business, working in partnership with local authorities, universities and others, they are the key economic co-ordination body in each region. Not just for the North, but the country as a whole. So RDAs will continue to be key in delivering business and industry support and will play a strategic role in the future direction of our regions. Of course nothing is perfect and incapable of improvement. But without them, without the Agencies, the regional economies would be, all but, defenceless in the face of the storm.[10]

In addition, between July and September 2008 the Treasury and BERR led a process of producing Regional Economy Documents in each region, with RDAs. These highlighted the differential regional impacts of the credit crunch and rising commodity prices. The REDs were published by RDAs and detail the local economic situation, broken down by sector and place. Launch events for each document were held in the regions and led by Regional Ministers. These events also linked to discussions around the second round of the Regional Funding Allocation (RFA) process, where regional and local partners will negotiate long-term priorities to support "sustainable economic growth". The current RFA was launched in July 2008 and regions will submit final advice to government in February 2009 through their regional minister.

The Government put out *Prosperous Places: taking forward the review of sub-national economic development and regeneration*[11] for public consultation until 20 June, "to seek views on its detailed proposals to put in place some of the review's recommendations".[12] CLG and Berr published the Government's response to the consultation the day after the Pre-budget Report, acknowledging that the document had been prepared in a period of changing circumstances, which, it argues makes many of the recommendations more pertinent as part of a response to economic problems. The response essentially sets out a number of firm proposals that have been developed in the SNR process that will be taken forward into legislation.

The Government will place a duty on local authorities (upper tier and unitary) to carry out an assessment of the economic conditions of their area. Three options were considered, in short: 1) legislate to introduce the duty, 2) as with 1, a duty on LAs but without a requirement to have regard to Government guidance, 3) no duty at all. The Government has decided on option 1, and a 'Local authority economic assessment

[10] For the full text of the speech see: http://www.berr.gov.uk/aboutus/ministerialteam/Speeches/page48678.html 23 October 2008
[11] CLG, Berr (2008) *Prosperous Places: taking forward the review of sub-national economic development and regeneration*, London: Stationery Office
[12] Ibid. p 5

duty' will be legislated for and underpinned by statutory guidance. The government believes that broad principles are needed and will develop the guidance alongside the duty. In addition, the Government intends to place a duty on upper tier authorities to "work closely" with district councils in their area to complete the assessment, and correspondingly to require districts to co-operate with the upper tier. There will not be a specific duty on public sector partners to cooperate with LAs in preparing assessments.

The announcements in the Response represent a considerable advance in policy on the city-regional and sub-regional agenda, largely through announcements that build on the existing MAA programme. Prosperous places held out the possibility that Government would legislate to create arrangements for 'statutory city regions', or as in the Response, "statutory sub-regional authorities for economic development", and these would be called Economic Improvement Boards (EIBs). This immediately created a source of confusion, since it was unclear whether these were 'the' statutory city-regional arrangements trailed previously. In particular, it appeared to clash with the announcement the day before in the PBR that the Government would work with and announce two 'forerunner' city-regions at Budget 2009. If this weren't enough the name of the former was changed within days to Economic Prosperity Boards (EPBs). The role of EPBs is squarely to focus on improving economic development in the area, and overall economic conditions within the sub-region. They will be voluntary, with LAs being able to 'opt-in' to the arrangements; and it is suggested they may evolve out of MAAs, yet equally, the existence of sub-regional arrangements between LAs is not a precondition for becoming an EPB. Taken in combination with the announcement about the two statutory city-regions in the Pre-Budget report (see Section 3), and what appears to be an addendum paragraph in the SNR Response, indicating that Government will legislate for the creation of MAAs with statutory duties, it seems that Government envisages an evolution such that there is a spectrum of sub-/city-regional governance arrangements, in summary:

- The current 'less formal' voluntary MAA;
- Existing MAAs converting to EPBs, or entirely new EPBs;
- MAAs or other arrangements becoming 'fore-runner' statutory city-regions/ a.k.a. MAA+

The document does not spell out in exactly what ways EPBs are different, both in scope, function and form, but what seems to have happened is that Government is responding to calls from very different types of area (e.g. county towns and their hinterlands; urban and suburban authorities co-operating in specific infrastructure projects, regionally-linked central places) to be able to form cross-boundary agreements.

The final main outcome of the SNR is a focus on tidying up the remaining 'mess' at the regional tier. Joint responsibility has been given to the RDA and the Local Authority Leaders' Board for the regional strategy ("including its drafting, implementation plan and monitoring of its delivery"[13]). The LA Leaders' Boards were previously called Leaders' Forums. Government reserves the ability to intervene in these processes if one side acts unreasonably or where the Leaders' Board "fails to operate effectively". The RDA and LA Leaders' Board will jointly submit the draft strategy to Ministers, or submit separate statements if they disagree. The Government hopes this will create a more 'streamlined' (for which, perhaps, read less conflictual) process: "The proposals retain the RDAs' economic expertise and focus. Local Authority leaders, as democratically elected leaders of their communities, will bring that democratic accountability to the process… of sustainable economic development and effective sub-national delivery".[14] The SNR Response sets out more detail for how Leaders' Boards will work, and how the regional strategy will be prepared – including that the Government will legislate to ensure Examination in Public (EiP) will be part of the regional strategy development process.

It was expected that Government would legislate to ensure that RDAs would delegate decision-making down to the appropriate city or sub-regional level, making RDAs more strategic bodies focusing on programme rather than project management. Government has decided that legislation is "not needed", but that the strong devolutionary intent will remain a key part of policy.

These key issues have gone forward into legislation in the form of the Local Democracy, Economic Development and Construction Bill announced in the Queen's Speech on 3 December. The Bill also brings in various parts of the Community Empowerment agenda, as well as proposals for supplementary business rates.

The Bill received its second reading on 4 December and is currently in the Committee Stage in the House of Lords. The key areas of the bill are:

[13] Ibid, p 15
[14] Ibid, p 16

- Provisions to secure greater involvement of people in the workings and decision-making processes of local public authorities
- provisions to ensure that councils respond to petitions and can consider other matters raised by citizens in their area
- a new duty for local authorities to assess economic conditions; a joint duty on regional development agencies and local authorities to produce a single regional strategy; and powers for councils to co-operate in promoting economic development.

Additionally:

- establishing a new body to represent the interests of housing tenants in England at national level
- new powers for audit authorities to appoint auditors to, and to produce public interest reports on, entities connected with local authorities
- making the Boundary Committee for England a separate body from the Electoral Commission
- improving the operation of construction contracts particularly as regards cash flow and adjudication.[15]

[15] Taken from Parliament description of the Bill, at http://services.parliament.uk/bills/2008-09/localdemocracyeconomicdevelopmentandconstruction.html

2. Party Positions and Regions in Parliament

On 12 November MPs voted in favour of the establishment of eight regional select committees (RSC) and the same number of grand committees. These implement recommendations for regional select committees made originally by the Communities and Local Government Committee report *Is there a future for regional government?* in early 2007 and adopted in the *Governance of Britain Green Paper* in June 2007. The proposals were considered in detail by the Select Committee on Modernisation of the House of Commons which reported in July 2008, and the Government agreed with its recommendations, and the central intention to create a structure to 'fill the gap in regional accountability'.

The changes will come into effect in January 2009 and be for an experimental period until the end of the current Parliament in the first instance. The Standing Orders agreed by the House of Commons specified that the role of the committees is to "examine regional strategies and the work of regional bodies", and to focus squarely at the development and impact of regional policymaking rather than the impact on the regions of nationally determined policies. Other pertinent details that were agreed include:

- Each committee will have no more than nine members, selected as for other select committees on the basis of party proportions in the House of Commons;
- There is an expectation that Members of the committees would represent seats within the region but this will not be mandatory;
- The Government had intended that the chairmen of regional select committees would be paid, but on 12 November the House agreed to a Motion that chairmen would not be paid;
- RSCs will have broadly the same powers as other select committees: they will not be able to appoint sub-committees or travel outside of the UK. They will also be able to invite MPs who are not members of the committee but represent constituencies within the region to participate, but not to vote etc.

In the case of regional grand committees:

- They will consist of all the MPs from constituencies within the region and up to five other members nominated by the Committee of Selection;

- Meetings will be triggered by a Motion put forward by a Government Minister for a specific committee to sit, either in the region itself or at Westminster;
- The Explanatory Notes to the Motions suggested that meetings might take place once or twice a year;
- The business of the committees would include questions to regional ministers, statements from Ministers, and general debates.

It appears that the new committees can be absorbed into the existing workload of the committees, although extra staff will probably be required in the longer term. The estimated cost of the new committees, now that chairmen will not be paid, is around £1.2 million.

The Debate on Regional Select Committees

The Government tabled a number of motions to amend the House's Standing Orders – in line with the recommendations of the Modernisation Select Committee and as outlined in the Government's response – to establish the committees. These included one that allowed for chairmen of regional select committees to be paid. A number of amendments to the motions were tabled – the most interesting of these were

- an amendment that clearly specified that chairmen *would not* be paid – and this was narrowly passed;
- that RSCs would not have the power to invite local councillors to attend and participate in meetings, this was agreed without division.[16]

The following extracts from the debate reflect the views that prompted these amendments and decisions. Shadow Leader of the House Theresa May argued forcefully that there had in reality been little consensus within the Modernisation Select Committee on the move to RSCs:

> Given the reservations of the Modernisation Committee, it is all the more important that the House knows that this proposal, which originated from a policy proposal of the Prime Minister and the Government, was pushed through the Committee on the Chairman's casting vote—the Chairman being, of course, the Leader of the House. There was no consensus for change.[17]

In tabling an amendment which would have prevented the RSCs going ahead, May

[16] This and much of the information that follows is drawn from Maer, L. (2008) Regional Accountability at Westminster, Standard Note, House of Commons Library, 13 November 2008

[17] House of Commons Debate, 12 November 2008, c818

set out why the committees were unnecessary and would place an intolerable burden on the working of the House. Another member of the Modernisation Committee, Simon Hughes, argued that the party balance of the RSCs should reflect that of the relevant region to better reflect the balance of political representation:

> It is now proposed that the Government should have a majority on the regional Committee for every one of the eight regions of England. At the last general election, the Government did not win the largest share of the vote in the east, south-east or south-west of England. Indeed, they came third in the south-east and the south-west—regions with millions of people. The Government are trying to impose their majority in all of England, when they do not have a majority in every region. Worse, they are trying to fiddle the system so that they can bus in colleagues from other regions to make up their majority.[18]

Hughes also suggested that RSC chairmen should receive an eighth of what other select committee chairmen are paid. Otherwise he gave assent to the proposal from Conservative Member Andrew Mackinlay that the posts should not be remunerated at all. Andrew Mackinlay tabled three amendments, and two that had particular substance: that chairmen should not be paid, and challenged the provision that RSCs could invite councillors to attend and participate. Arguing strongly against the introduction of this form of 'governance' he said:

> Have we no pride? I fought hard to get elected to this place. It was five general elections before I got elected. I am proud to be a Member of Parliament and my duties as a Member of Parliament are indivisible. Councillors' jobs are very important, but we should not blur the issues by bringing the two together. I urge hon. Members to stand up for Parliament and be jealous of their rights and privileges…
>
> Privileges are important, because what happens under parliamentary privilege? I can be admonished by the House if I abuse parliamentary privilege. We are self-regulating. How can you deal with someone who is not a Member of this House, but who abuses parliamentary privilege, Mr. Deputy Speaker? Will we have a separate register of interests for these people? The idea has not been thought through, which is why I hope we will reject it, if for no other reason than that.[19]

The sentiment of the House largely reflected these points. As noted above, the House narrowly voted in favour of the amendment so that chairmen would not be paid, and the House voted 254 in favour and 224 against for the Government's motion. The House was decisively against an amendment that would have required members of RSCs to represent constituencies within the region, and narrowly rejected the amendment to make the committees reflect the political balance in the region. Finally, the House agreed an amendment removing the ability of RSCs to

[18] Ibid. c824
[19] Ibid c828

invite councillors without a division.

Conservative policy on regional and sub-national governance

The Conservatives had promised, during the last monitoring period, to produce a policy paper on local government (presumably to include regional governance), and in particular the role of RDAs under a Conservative Government, but this did not appear. Instead, a number of announcements were made at various points which give some indication of the way policy is developing.

One interesting point is that it appears the Conservatives would support present moves towards greater city-regional governance. At the party conference in early October, shadow communities secretary Eric Pickles said that they would put a premium on cross-boundary working across ‘real economic areas’, by giving such local authorities “substantial powers and more finance”, but that they would not be forced to do so.[20] He also said that the Party would support proposals for directly-elected city-regional mayors if urban areas wanted them, a sentiment echoed by Lord Heseltine, chair of the Conservative’s Cities Task Force, although he takes a considerably harder line, arguing that all English local authorities should be forced to accept directly elected mayors. At a conference later in October he

> [Quangos] are doing work that is essentially local because central government doesn't think local authorities can do it," he said. "But we need to trust local authorities again. England once had great cities with great powers and great leaders. Why don't we try giving powers back to them?[21]

His argument is essentially that powers have to be returned to local government but that a prerequisite for this is much improved executive powers in the form of a mayoral figurehead.

Of course the other key uncertainty for onlookers of Conservative policy is whether Regional Development Agencies will have a role. At the Conservative conference Pickles said they would not have a “rosy future”, indicating that at the very least their policy paper would recommend the removal of the proposed planning powers which would be handed to local authorities or sub-regional groupings. Meanwhile Shadow business secretary Alan Duncan reiterated that RDAs would be reformed to become “business-led agencies” focused on economic development (where have we heard

[20] Hayman, A. (2008) ‘ Tories back elected city-regional mayors’, Regeneration and Renewal, 3 October 2008

[21] Hayman, A. (2008) ‘Local government structure slammed by Tory cities chief’, Regeneration and Renewal, 23 October 2008

this before?). Press stories in November indicated that the aforementioned policy paper, which might form part of a green paper, had been leaked, and this indicated that RDAs would all be abolished.[22] Also in November shadow local government minister Stewart Jackson stated that a Conservative government would immediately reverse Government plans to give RDAs overall responsibility for regional planning, and in particular allow local authorities to set housing targets for their areas. These uncertainties prompted David Frost, director general of the British to claim that the Tories were sending out mixed messages on RDAs:

> They've very clearly not resolved their policy direction. Business is worried that there's all this talk of a bonfire of the quangos without a proper evaluation of their worth and without an indication of what might replace them.[23]

[22] Jha, P. (2008) 'Leaked Tory plans spark fears for RDAs' future', Regeneration and Renewal, 21 November 2008

[23] Hayman, A. (2008) 'RDA confusion "worries business"', Regeneration and Renewal, 10 October 2008

3. English Sub-national Policymaking

The most significant announcement during the monitoring period in terms of policy was a single page in the Pre-Budget report given to the announcement that Government will agree to statutory city-regional arrangements with two forerunner areas in the 2009 Budget. Building on the existing work done through the Sub-National review and on MAAs government will:

> support city-regions to fulfil this role by agreeing, on a voluntary and tailored basis, a set of devolutionary proposals with local authorities in city-regions, to increase further their ability to drive economic growth and contribute to sustainable development.[24]

The key argument here is that enhanced statutory city-regions – in the Government's words, "new statutory arrangements for sub-regional cooperation between local authorities, supporting strong local capacity, governance and accountability at the city-region level" – will allow central government to devolve much greater powers to a recognised, stable, and accountable body. This can be seen as an evolution, but also puts a question mark over the future of non-statutory MAAs. The publicly available information is also less than explicit about what spending and revenue-raising powers are actually on offer to city-regions. It is also relevant that Government seems to have stepped back from some of the language of statutory city-regions, a recent statement refers to new "MAA plus" agreements with *at least* two forerunner city-regions.[25]

What Government does seem to be offering is a relatively flexible menu of options for city-region, sub-region or other multi-area governance arrangements to meet the appetite for MAA type arrangements from rather disparate locations with disparate aims. Hence, the key outcome for the city-regional agenda from the Sub-National Review was the Economic Improvement Boards.

Throughout the monitoring period a number of urban areas were in final negotiations with Communities and Local Government on their MAA arrangements, and on January 12 these were officially signed at Downing Street. The three areas that signed MAAs, along with a flavour of the main focus of their strategies, are:

[24] HM Treasury (2008) *Pre-Budget Report*, London: The Stationery Office, p. 82
[25] CLG press release, 'New council economic unions to boost local skills and jobs', 12 January 2009 at, http://www.communities.gov.uk/news/corporate/1116511

- The **Liverpool** city-region MAA employment and skills strategy aims to help 9,000 more people off benefits by 2010 and lift JSA claimants entering employment by 4per cent (up to 40per cent). A new Skills and Employment Board will direct skills training. There will also be additional support for 18 years olds including a universal offer to support self employment.
- The **Leicester and Leicestershire** MAA has developed a 'train to retain' plan that will allow them to increase skill retention and subsequently their long term economic clout. New powers will allow councils to reduce financial burdens for those coming off welfare and entering work by giving people job grants to cover costs till the first month's pay check (sic) comes in.
- The **Pennine Lancashire** MAA will strengthen and connect their stretched rural economy. Their plan will use new powers to raise skills by 4per cent and help half a million people. They will create a 'graduate into industry' scheme at new Pennine Lancashire University campuses. They will widen the M65 and develop new and improved rail services as well as improving routes to Manchester, Leeds and local business areas.[26]

MAAs were in final negotiations throughout the Three new MAAs made their agreements with in early January 2009. It is notable that Government is increasingly presenting MAAs as one facet of its response to the economic downturn, arguing that they are exemplars of genuine devolution allowing local areas to set their own priorities and tailor policy to the particular situations they find themselves in. For example, John Healey has made a specific comparison with the centrally-dictated response to previous downturns.[27] One example might be the need to rapidly alter strategies that for instance, have placed stress on facilitating the growth of the financial services sector in individual city regions.

The next round of multi area agreements, the so-called third wave, are likely to include:

- West of England (ie Bristol city-region)
- Olympic Legacy (the Olympic boroughs of Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest)
- North Kent (the Kent boroughs in the Thames Gateway)

[26] Adapted from CLG press release, 'New council economic unions to boost local skills and jobs', 12 January 2009 at, http://www.communities.gov.uk/news/corporate/1116511
[27] Ibid.

- Birmingham city-region
- Fylde Coast
- Milton Keynes South Midlands

These areas are aiming to complete agreements in spring 2009.

4. Regeneration and Spatial Development Policy

Announcements on regeneration and spatial development priorities and spending plans have been dominated by the slide into recession prompted by the global credit crunch. In advance of the publication of a major review commissioned by the Department of Communities and Local Government on the impact of the credit crunch on regeneration, a glut of announcements were made during the monitoring period about plans or proposals to bring public investment forward as part of a broader ‘fiscal stimulus’ package and to protect key schemes that are potentially under threat as a result of the collapse of private lending and waning confidence about the future demand for new commercial development.

Most of the schemes in question are in southern English regions. The Government’s first ‘Keynesian project’ announcement came from the Department for Transport which ‘fast-tracked’ a scheduled investment for the trunking of the A11 in East Anglia. There was also speculation that the Government would bring forward some of the investment needed to support work on the construction of Crossrail, buoyed by an announcement from the British Airways Authority that it would commit £230m to the scheme over its lifetime in return for improved rail links to Heathrow airport. Doubts remain, however, about whether other sources of private finance for the scheme will materialise as quickly as was envisaged given the economic downturn.

Similar concerns were also voiced about the pace at which the Thames Gateway development strategy can be realised in much changed circumstances. The Chief Executive of the Homes and Communities Agency (HCA) confirmed in November that it would be necessary to take stock of Gateway house-building targets in light of the downturn and the depressing effect it is having and will have on private housing investment. The shadow Conservative spokesperson on regeneration matters, meanwhile, committed his party to freezing investment in the Thames Gateway should the party win the next General Election pending a review of its complex delivery arrangements.

The third major project that has been the focus of concern is the Olympic Village. Here, despite an announcement that the Village development strategy would be able to draw upon £95m worth of Olympic contingency funding, completion of the funding package was delayed into the New Year pending agreements amongst public and private sector investment partners.

The Government response to the difficulty in sustaining private investment in key projects has partly been to accelerate public funding and partly to switch the emphasis away from private development. Thus, for example, the HCA announced that an additional £605m would be available to stimulate development in the 163 local authorities that have so far been designated as housing growth areas, much of which will support the construction of new social housing. It seems likely, too, that the re-profiling of the Olympic Village investment plan will feature social housing more prominently.

In the medium term, the development of the high speed rail network may also benefit from 'the new Keynesianism'. Following an announcement at the Conservative Party conference that a new Tory Government would scrap plans for a third runway at Heathrow airport and divert investment into high speed rail, the Government announced that it had commissioned a high speed rail study whose results will be announced in the Spring. There were no indications as to which routes were being seen as likely candidates for upgrading although the announcement was accompanied by speculation that the London-Birmingham line may be seen as a priority.

If Government departments and the national agencies they support have focused most attention upon southern England, the decentralist thrust and sub-regional focus of the review of sub-national economic development and regeneration featured in the lower profile announcement that the reform of the Local Authority Business Growth Incentive (LAGBI) scheme, worth a modest £150m between 2009-10 and 2010-11, would require collaboration between local authorities organised on a sub- or city-regional basis. A rough guide to the potential value of LAGBI to the sub-regions concerned, however, suggested that the funding formula would reward those areas with higher rateable values and hence tend to redistribute resources to sub-regions in which there has been greatest economic buoyancy.

The prospects of accelerating progress towards sub- and city-regional strategies and governing arrangements, whilst enhanced in principle by Government announcements described in Section 3, suffered a setback in practice when one of the key schemes to have emerged from the new climate of central-local government relationships collapsed in December. The Transport Innovation Fund (TIF) bid for

Greater Manchester, comprising a package of public transport improvements worth nearly £3 billion of which £1.2 billion would have come from grant funding by the Department for Transport, had to be abandoned when a referendum on the introduction of congestion charging arrangements across the city-region – effectively the price that had to be paid to trigger departmental investment – produced an overwhelming 'no' vote. The referendum was announced after the ten Greater Manchester local authorities, dividing along party lines, failed to achieve agreement on the detail of the scheme. To achieve a green light for the bid, a majority of voters in seven of the ten authorities would have needed to support the package on offer. In the event, more than four out of five voters in all ten authorities rejected the proposals which meant that the bid could not go forward.

The failure of the highest profile voluntary city-regional partnership in the country to deliver political and popular support for the most significant package of urban public transport investments that have been considered in recent years outside London is a significant blow for those who have made the case for 'bottom-up' governance arrangements. It also casts doubt on whether congestion charging is ever likely to be sanctioned by popular referenda given the ease with which the 'no' campaign in Greater Manchester was able to use resistance to a new form of taxation to clinch its case. It remains to be seen whether there is a link between the collapse of the TIF bid for Greater Manchester and the Government's subsequent announcement that it wished to move ahead with prototype city-regional structures in two pilot areas.

5. EU Relations, Local Government, and Finance

At the beginning of the monitoring period the UK Government launched a consultation on the Local Authority Business Growth Incentives (Labgi) scheme with the aim of simplifying the scheme, which had been criticised for being overly complex. The scheme rewards councils that expand their business base by retaining a share of rises in business rates revenue, and local government minister John Healey also indicated that the scheme would be based on “real-economic areas”, i.e. recognising growth across city-regions.

The long-running saga of the mishandling of European funds continued into the monitoring period. The penalty will be imposed on DCLG for its handling of ERDF from various tranches in the North East and North West of England, and will likely be up to £180 million. The problems were said to stem from ‘basic accounting errors’ which amounted to a failure to correctly identify the final recipients of funding. A £19.8 million fine was imposed on DCLG in March 2008 for deficiencies in the department’s monitoring of the ERDF in the North West.[28]

An additional £27m from the European Social Fund was announced in November, with funding available for projects to improve the skills of workers under particular priorities, including training for older workers and social enterprises. The funding will go to up to three projects in each region as well as an extra project in Merseyside, in South Yorkshire and in Cornwall.

[28] Hayman, A. (2008) ‘Exclusive – EU Source: DCLG faces large fine’, *Regeneration and Renewal*, 7 November 2008

6. Research and Public Attitudes

The Centre for Cities published The Future of Regional Development Agencies in December 2008.[29] The report argued that not all regions need an RDA and that they have so far failed to meet the ‘confusing’ target (PSA7) on reducing the gap in economic growth rates between the regions. Instead the focus should be on boosting growth in the lagging North and Midlands and that there should be a single northern development agency.

One of the authors of the previous report also co-authored a report as part of the World Bank’s Directions in Urban Development series which draws out some of the lessons emerging from recent attempts to develop city-regional governance in the UK.[30]

An earlier report by the CfC took a somewhat similar line to the Policy Exchange report described in the last monitoring report, arguing that the Government should be ‘more honest’ about the economic prospects of some UK cities as a result of globalisation and increasing competition, and supporting transition costs for those most adversely affected, rather than only considering the net benefits at the national level. The authors recommend five principles for Government to better deal with economic restructuring:

- cities should collaborate with neighbouring areas in more effective city regions, and "promote city-regional brands", such as Greater Manchester
- cities should prioritise the strengthening of connections - such as transport and communications infrastructure - to their key markets in order to play more effective roles as regional growth hubs
- cities' strategic decisions to support business should be based on a "realistic assessment of local strengths and assets, avoiding unrealistic aspirational goals"
- cities need more powers to support individuals that are adversely affected by offshoring and inward migration, and help them to develop their skills and adapt to the global labour market[31]

[29] Marshall, A. (2008) *The Future of Regional Development Agencies*, Centre for Cities
[30] Larkin, K. and A. Marshall (2008) *City-Regions: Emerging Lessons from England*, Directions in Urban Development Series, World Bank
[31] Brown, H. (2008) *UK Cities in the Global Economy*, Centre for Cities

7. Conclusion

The most recent monitoring period has been dominated by the shockwaves that have reverberated from the biggest financial crisis the world has experienced since the 1930s and the need to anticipate the potential effects of a recession that may prove to be as serious as the Great Depression. Nonetheless the developments that have been reported here are characterised by a high degree of continuity in the approach to devolution, decentralisation and spatial policy that have been highlighted in previous monitoring reports. Indeed, if anything, early responses to the economic crisis appear to have accelerated some of its key aspects. The effect of the rapid downturn has been to strengthen the Government's determination to press ahead with two of the key drivers of change that have characterised its approach to spatial policy and governance in recent years. The first, reinforced by the most recent spending settlement, is to concentrate productive public expenditure in those areas of the country which were formerly seen as being in the greatest danger of 'overheating' but are now increasingly being viewed as most in need of public sector support in order to underpin the viability of strategic projects that can no longer feasibly be expected to generate the volumes of private investment that were once expected. The second, which prioritises a mixture of decentralisation of responsibility to local authorities, organised wherever possible on sub- or city-regional lines, and greater scrutiny of the activities of regional agencies by Westminster, has been presented, rhetorically at least, as being vital if the preconditions for growth, post-recession, are to be secured. That this in-principle aspiration is accompanied by growing evidence that the mechanisms that are needed to achieve it are extremely difficult to organise, politically, and difficult to sell to a sceptical public is something that future monitoring reports will continue to scrutinise and comment upon.