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Key issues

The Deputy Prime Minister, now back in control of the regional agenda, has reiterated his intention to see at least one referendum on regional government — probably in the North East — in the present Parliament. A new Office of the Deputy Prime Minister, created in the aftermath of the resignation of Stephen Byers, assumes responsibility for local government, the regions, housing and planning, with transport now a separate department.

A number of major government policy announcements (on airports and housing notably) stimulated anew the debate about the regional inequalities and regional policy in England.

The Chancellor's 2002 Spending Review provided additional resources for RDAs by 2005-6 and new flexibility in the disbursement of these funds. Moreover, RDAs will also gain new responsibilities, such as promoting local tourism and contributing directly to planning and transport strategy. Their tentacles will also begin reaching out into vocational education and enterprise, with pilot schemes for the regional management of the Learning and Skills Council and the Small Business Service. The Spending Review also saw a proposal to create new regional housing bodies which will bring together existing funding streams into a single non-ringfenced budget, so as to enable housing investment and planning decisions to be better integrated with transport and economic development.

Despite these developments, the Better Regulation Taskforce, echoing previous criticisms from the Performance and Innovation Unit, argued the RDAs (and Local Learning and Skills Councils) are subject to too many restrictive, centrally imposed performance targets and called for these to be reduced.

Reaction to the government's White Paper on regional assemblies continues to unfold. The government's proposals to reform local government in its recent White Paper, have begun to demonstrate their capacity to generate controversy, with questions being raised about the potential costs and objections being raised even in relatively supportive regions such as the North East. The regions minister Nick Raynsford gave more details the mechanisms for holding referendums on the government's proposals. Attention is now focused on whether a Referendum Bill is contained in the Queen's Speech of Autumn 2002.

The 'yes' (and 'no') campaigns in the North East were slow to get off the ground, with both the Labour (and Conservative) parties reluctant to be seen to taking a leading role in a period of widespread cynicism about political parties. 'Yes' campaigners face a considerable challenge to form a widely constituted and credible movement. One challenge they face is to assure people in rural parts of the region — who have expressed concerns about urban dominance — that an assembly can embrace their concerns.

Developments in other regions have been a slower pace, but the North West Assembly announced that the region is ready for elected government.

The pendulum appeared to swing further away from elected Mayors as the government withdrew its threat to impose referendums in Birmingham, Bradford and Thurrock.

1. Introduction

1.1 Edging towards regional government?

After the excitement which greeted publication of the long-awaited White Paper on regional government in some quarters (see our previous Report No 7), a degree of caution — indeed foreboding in some quarters — and realism has entered the debate on how England should be governed. Enthusiasm among supporters of regional government was initially heightened by the return of John Prescott to the department covering local government and the regions, (but minus transport, now hived off to a separate department) (see Section 6.2 below). Others, however, were more circumspect. Sections of the specialist press noted that Prescott now had to prove himself as a heavy hitter in a cabinet where he remains the strongest supporter of regional government (See, for instance, 'Two Jags' job joy', *Public Finance*, (7th June 2002).

This, however, ignores the fact that several leading ministers — notably the Health Secretary, Alan Milburn, MP for Darlington, and a supporter of regional government in another political life — are already being lined up by Labour to push the case for an elected assembly in regions like the North East. It also ignores the power play, the deal-making and alliances being forged in the government — crucially, between Prescott's grandly-titled Office of the Deputy Prime Minister (in effect a Department of Local Government and the Regions) and the Treasury which, in reality, is now dictating all regional, industrial and, significantly, planning policy.

Senior Labour backbenchers appear to be increasingly convinced that, as a price for backing Treasury demands for more housing and airport capacity — not to mention the greater road, rail and social investment that will inevitably follow — in the south and East Anglia, Mr Prescott has been assured that Gordon Brown will put his considerable weight behind the new regional agenda.

On one level, therefore, the campaign for regional government is gaining a momentum of its own. The expectations of devolution supporters are being raised almost by the week. Addressing the annual conference of the Local Government Association in Bournemouth on July 3 in his first speech in his new role, Prescott did not disappoint them:

We aim to have a referendum in at least one region during this parliament. After a referendum we will put legislation through parliament to set an assembly up. If we can do that before the next election we will. If we can't we will do it straight after (Prescott, 2002).

This seemed to provide the clearest signal that a commitment will be given in the next Queen's Speech for a bill to allow a referendum to be held in at least one region — almost certainly the north east — before the next election. But Mr Prescott went further, offering the distant prospect of the necessary substantive legislation for an elected assembly (assuming electors say 'yes' in a referendum) before the next election. This prompted the LGA's daily conference paper to report on July 4: 'Deputy Prime

Minister John Prescott insists the first English regional assembly could be created within four years.¹

1.2 Regional policy debates

On another level, however, the regional agenda appears beset with contradictions. In the Government's three-year Comprehensive Spending Review, announced on July 16, the Chancellor announced that budgets of the nine Regional Development Agencies (RDAs) would be increased from £1.6 billions this year to £2 billions by July 2005-06 (see section 2.2.1). Significantly, the Chancellor set a list of targets committing the Government to 'reduce the persistent gap in growth rates between the English regions' (currently, GDP per head in the north east stands 23 per cent below the national average while London is 30 per cent above). A new public service agreement will be forged between the Treasury, Mr Prescott's department and the Department of Trade and Industry to improve regional performance (see section 2.2.1 below).

But the Treasury's overwhelming emphasis is underpinning the economic importance of London, the South East, and the bio-technology and IT 'clusters' of the greater-Cambridge sub-region. While recognising the need to uplift poorly performing regions like the North East, Gordon Brown appears convinced that nothing must be done to undermine the importance of the South East as the engine of the economy. With his blessing, John Prescott — on the back of the spending review — revealed plans for four new and expanding townships in the South East (around Milton Keynes in Buckinghamshire, Stansted in Essex, Ashford in Kent and the Thames Gateway corridor from east London to Dartford and beyond) which could provide 200,000 more houses alongside a drive for tens of thousands of new 'affordable' homes in a region where many key workers and young professionals are priced out of a booming housing market.

At the other end of the country, Mr Prescott is supporting a more modest housing market renewal initiative designed to restore confidence in neighbourhoods, (particularly in Greater Manchester, Merseyside, south and east Lancashire and parts of Yorkshire and the North East) where structurally-sound properties are being abandoned and house prices are collapsing because of low demand. But the scale of this pales into insignificance when set against the housing drive in the south.

A new, fast-track planning regime, designed to prevent delays on prestige projects such as Heathrow's proposed fifth terminal (the subject of a five-year planning inquiry) is also being introduced (see our previous report Number 6, February 2002). Again, this seems designed to largely underpin the performance of the South East. But special business planning zones (BPZs), which could be modelled on the last Government's enterprise zones (EZs), are also being planned by the Treasury to push through developments in the south and to provide new growth areas in the north. It is not clear whether the BPZs will benefit

from the same fiscal incentives, such as relief from council tax, that attracted developers to the EZs.

The South East will also be the principal beneficiary of the Government's emerging airport strategy which appears to consign northern airports, particularly municipally-owned Manchester — the country's third largest — to a secondary role. In a long-awaited consultation paper the Transport Secretary, Alistair Darling, a key ally of Gordon Brown, floated plans for an unprecedented expansion of Britain's airport capacity with billions of pounds to go on new terminals and runways. He even floated plans for a new international airport at Cliffe, in north Kent. Among the most controversial proposals is a new runway at Heathrow and the enlargement of Stansted to become what amounts to a 'second Heathrow' with up to three new runways. While business leaders welcomed the move, environmentalists were appalled.

Against this background, stirrings of discontent can be heard from several quarters. Critics of the Government can be found among council leaders in the South East, who argue that the already overcrowded region can take little more development. Meanwhile, planning professionals and geographers in the Town and Country Planning Association and the Royal Town Planning Institute are becoming increasingly concerned at what they regard as the piecemeal, market-driven approach of the Treasury and Downing Street, which is dictating not only the location of new homes but also new airports. They are pressing for a 'planning framework' for England — and, in the absence of any Government moves on this front, they are preparing to go-it-alone with an independent plan for the country.

At the same time, backbench Labour MPs, particularly from the north, are restless, viewing moves to strengthen the economy of the south as further undermining less-favoured regions. While sharing the planners' concern, they are alarmed on another front. Along with northern councils, they fear that the current review being undertaken by Prescott's department to restructure the Whitehall formula — the Standard Spending Assessment (SSA) — which distributes Government funds to local authorities will remain skewed in favour of London and the south.

According to some Labour backbenchers, while Mr Prescott is said to sympathise with the idea of tilting funds to the north, he knows that Downing Street will not allow any significant south-north switch. A special interest group of large councils outside London — SIGOMA — complains that, because the SSA formula relies on past spending as an indicator of need, wealthier authorities get more while less-favoured northern ones struggling with urban and industrial decline lose out. Although a July review of SSA was headlined a 'boost for the north' in some newspapers, it remains to be seen how great the change will be. This is underlined in the confidential minutes of a July Cabinet committee we have seen, chaired by John Prescott. Opening the meeting, John Prescott said — with a degree of understatement — that SSA reform was a 'complex issue requiring careful handling.' While it was inevitable that some authorities would receive a smaller increase than they had been

hoping for, it was nevertheless 'important to ensure that the final decision on the formulae was politically defensible...for example, an outcome where London and the South East were very heavily penalised would not be acceptable.'

Rightly or wrongly, northern Labour MPs who have seen these minutes regard them as further proof that the Government's regional policy is skewed towards London and the South East. These concerns were given a ministerial airing in Michael Meacher's interview in the *Sunday Times*. Among his several criticisms of his own government, Mr Meacher stated: 'Clearly we need more houses but I would like to see a regional policy that spread industry more across Britain' ('Meacher hits at Labour's eco-failures', *Sunday Times*, 11th August. See also: <http://www.odpm.gov.uk/about/pdf/transcript.pdf>).

The government, however, finds itself on the horns of a dilemma. One commentator neatly summed up the government's predicament:

The Government clearly needs to be careful...lest it kills the goose that lays the golden egg. Damaging the southern economy, overheated thought it may be, to benefit the north is just not an option in the modern world...more than that the Government has its own political neck to consider. There was a time when southern votes mattered little to Labour, but now the Government has many seats in what was considered Tory heartlands. If these voters feel they are being overtaxed to redistribute money around the regions, they might dump Blair just as quickly as they embraced him in 1997 (Johnston, 2002).

In the context of Government policy on housing in the south, airport expansion, and local government finance, there are signs that the regional debate may increasingly develop more of an economic focus, raising questions about the over-concentration of activity in the south and the under-performance of the north and parts of the Midlands. At the same time, in the South East other concerns are being raised. The regional assembly — which, will assume the role of the regional planning body next April — voiced concern at its annual meeting in Brighton on July 17 about 'asymmetrical devolution', with some regions getting elected assemblies and others consigned to a lesser role. It claimed this will end a "level playing field" with northern regions getting more than their fair share of resources, disadvantaging the south east (See section 2.3 below).

As the regional debate gains more momentum over the coming months, it is likely that these arguments will intensify. But whatever some commentators may argue, it is clear that several key ministers see 'greater regionalism' — giving the RDAs more resources, while promising political devolution - as the essential balance to the continuing expansion of the South East and East Anglia. Faced with criticism from a broadening regional lobby that they are bent on concentrating more development in the over-heating region, ministers want to be in a position to argue that — through RDAs and emerging regional chambers and assemblies — they are giving poorly performing regions the tools to pull

themselves up the economic league. These arguments seem likely to intensify as the devolution debate gains momentum. Economic disparities could prove a more powerful argument for the lobbying clout of regional government — to counter the growing strength of London and the south, for instance — than a starry-eyed vision of regional and cultural distinctiveness in, say, the North East and Yorkshire.

1.2

Local government reform: stirrings of discontent?

Up to now, the Government has been insistent that, rather than drawing powers from town or county hall, Whitehall will have to cede some functions to any new elected assemblies. Yet practice may prove more complex than the theory. With John Prescott committed to removing a strategic planning role from county councils and handing it to regional assemblies, elected or otherwise, it is clear that the local is already being forced to cede some ground to the regional. And the regional White Paper's commitment to give elected assemblies a role in the housing market and social housing in the region — including an overview of council housing and housing association activity — has already been seen by some in local government as a challenge to other core functions.

Professors John Stewart and George Jones of Birmingham University and the London School of Economics respectively, cautioned that the prospect of more local government reorganisation in regions earmarked for elected assemblies would not merely prove a 'disturbance and distraction' from performing basic tasks. It would also be extremely serious for local government if it led to abolition of county councils. 'It may not be long before more of their functions leave local government, most likely to regional authorities seeking a role — in that case there will still be a two-tier system, but the upper tier will be more remote.' And if counties were retained, and district councils abolished, Stewart and Jones said the existing weaknesses of local government would be intensified. 'Our district councils are, on average, ten times bigger than their equivalents in the rest of Europe. Local government would no longer be local' (Jones and Stewart, 2002). Government claims of eventual 'savings' from the abolition of a tier of local government have also been challenged by Michael Chisholm, emeritus professor at Cambridge University, and a member of the Local Government Commission for England which oversaw the creation of a string of new unitary councils in 1998. He said (*Municipal Journal*, June 7) that the cost of that reorganisation had been 'seriously underestimated' with the creation of unitaries failing to achieve the savings predicted by ministers. 'If there had been a better assessment of these costs it is probable — virtually certain — that fewer unitary councils would have been established in England.'

2.

Regional Structures

2.1

Government Offices

As a result of changes announced by the Prime Minister responsibility for Government Offices and the Regional Co-ordination Unit were moved from the Cabinet Office to a new Office of the Deputy Prime Minister. See section 6.2 below for a full account.

2.2

Regional Development Agencies

2.2.1

RDAs and the Spending Review

The Spending Review 2002, announced by the Chancellor of the Exchequer provided new powers and resources for RDAs (HM Treasury, 2002). Significantly, the Review contained a separate chapter on English regions to give emphasis to the importance of the regional dimension in the Treasury's proposals.

Reflecting on the implications of the Spending Review for RDAs, the *Financial Times* suggested 'they emerged yesterday as the main bodies trusted by the government with raising economic performance at the grass roots' (*FT*, July 16th 2002). It went to note:

The bodies created three years ago by bringing together a disparate group of organisations, will also gain new responsibilities, such as promoting local tourism and contributing directly to planning and transport strategy. Their tentacles will also begin reaching out into vocational education and enterprise, with pilot schemes for the regional management of the Learning and Skills Council and the Small Business Service (*Financial Times*, July 16th 2002).

The Spending Review spelled out the planned role of RDAs in relation to the Treasury's agenda of 'raising productivity':

The Government is committed to ensuring that the benefits of improved productivity are spread across the countries and regions of the UK, and that measures to raise productivity are designed and implemented at the level at which they have most effect — in many cases regionally and locally. Analysis shows that a successful regional and sub-regional economic policy must be based on building on the indigenous strengths of each country, region and locality.

The Regional Development Agencies (RDAs) are central to this framework. The RDAs operate as the strategic driver of economic development in their region, working in partnership with key regional, sub-regional and local bodies. They exert strategic influence over the type, scale and combination of services delivered in their region. They are active in areas key to economic growth — employment, entrepreneurship, skills and regeneration — and are tasked with producing an overarching Regional Economic Strategy, in response to their

detailed analysis of their region's particular strengths, weaknesses and needs (HM Treasury, 2002: para 2.6-2.7).

A number of Public Service Agreement targets have been agreed between the Treasury and government departments, which have a regional dimension (see below).

In addition, the Spending Review signalled a potential extension of the powers of RDAs in a number of areas. Specifically:

'greater RDA involvement is to be piloted in one or two regions in the key areas of adult skills and services to small businesses' (HM Treasury 2002: para 23.12¹)

giving RDAs powers, in formulating their regional economic strategies, to propose new multi-modal studies of regional transport (HM Treasury (2002: para 23)

Potentially more far-reaching changes were signalled in the area of housing policy (see Section 2.2.4 below).

¹ Elsewhere the Treasury stated: 'RDAs are being given considerable new influence in areas with a direct bearing on the regions' economic performance. For the first time they will be given responsibilities in the areas of transport, tourism, planning and housing. They will also work closely with the Small Business Service (SBS) and Learning and Skills Council (LSC) to pilot the regional management of services to small businesses and improvements to adult skills' (HM Treasury, 'New resources and new responsibilities for RDAs', Press Notice SR2002/RDA, 15th July.)

Table 1: Key PSA targets - raising productivity and sustainable growth across the countries and regions of the UK

Raising productivity

- Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany.
- Make sustainable improvements in the economic performance of all English regions and over the long term, reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.
- Reduce the gap in productivity between the least well-performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people.

Enterprise and innovation

- Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.
- Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.

Investment

- Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt - and the sustainability of existing towns and cities - through specific measures to be set out in the Service Delivery Agreement (SDA).
- All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006, with interim milestones to be agreed in the SDA. The Department to deal with called-in cases and recovered appeals in accordance with statutory targets.
- Reduce congestion on the inter-urban trunk road network and in large urban areas in England below 2000 levels by 2010.

Skills

- Reduce by at least 40 per cent the number of adults in the UK workforce who lack NVQ level 2 or equivalent qualifications by 2010.

Modernising public services

- By 2005-06, deliver £3 billion of value for money gains in central civil government procurement through the Office of Government Commerce.

2.2.2 *RDA Budgets*

The Spending review signalled an increases in resources available to RDAs:

The Spending Review provides an increase of £375 million to the RDA's Single Pot by 2005-06, compared to 2002-03.

Together with the reduction in the Single Regeneration Budget (SRB) commitments over the Spending Review period, which release an additional £535 million by 2005-06, this implies an increase in the uncommitted resources available in the Single Pot — the effective Single Pot — of £910 million by 2005-06 compared to 2002-03. The Single Pot will be £2 billion in 2005-06.

The settlement also:

- rebalances the RDAs' funding, with a switch of £200 million per year of existing funding levels from capital to resource, to help ensure the RDAs have the right mix of funding for their evolving role;
- gives the RDAs an initial £2 million per year from the Department for Culture, Media and Sport (DCMS) and tasks the RDAs with a greater role in regional tourism promotion, in preparation for DCMS' discussions on the future shape of government support for domestic tourism; and
- gives the RDAs an additional £2 million per year from 2004-05 through DTI to commission multi-modal transport studies via the Regional Planning Bodies, to ensure that transport links within and between regions support increased productivity (HM Treasury 2002, paras 23.9-23.10).

Table 2: Regional Development Agencies (RDAs) budgets

	£ millions			
	2002-03	2003-04	2004-05	2005-06
Of which:				
Office of the Deputy Prime Minister	1,369	1,522	1,552	1,609
Department of Trade and Industry	172	191	236	296
Department for Education and Skills	42	42	42	42
Department for Environment, Food and Rural Affairs	42	41	46	51
Department for Culture, Media and Sport	0	2	2	2
Total	1,625	1,798	1,878	2,000

Note: DTI figures include British Trade International and funding for Regional Selective Assistance.

Table 3: Increase in RDAs 'effective' Single Pot

	£ million		
	2003-04	2004-05	2005-06
Increase in RDAs Single Pot compared to 2002-03	173	253	375
Reduction in SRB commitment compared to 2002-03	214	414	535
Increase in "effective" RDAs Single Pot compared to 2002-03	387	667	910

Note: SRB commitment figures are based on provisional ODPM estimates. This gives a baseline for the "effective" RDA single pot of £850 million in 2002-03.

2.2.3 Reaction to the Spending Review

Speaking on behalf of all nine RDAs as lead spokesman on Treasury affairs, Yorkshire Forward Chairman Graham Hall said the review reinforced the RDAs' role in 'joined up' delivery of the Government's agenda for improving the economies of all the English regions. RDAs would have more resources and influence than ever before in helping deliver their Regional Economic Strategies, improving business competitiveness and regenerating the poorest areas. He said:

First, we very much welcome the additional resources identified for RDAs over the next three years, which consolidates the step change improvements in the last spending review. By 2005 the English RDAs will be pumping £2 billion into their regional economies making a real difference to infrastructure, skills provision, regeneration and enterprise.

Secondly, we are delighted with the new responsibilities for RDAs on decisions about transport, tourism, planning and housing. This will enable us to deliver a real joined-up and hands-on approach to delivering improvements to productivity. Transport infrastructure, affordable housing and a strong tourist sector are critical to our targets for sustainable economic growth in urban and rural areas.

Thirdly, the pilot initiatives announced on adult skills and business support provision will allow exciting new local 'one stop shop' provision to back up priority actions pioneered through the new Frameworks for Employment and Skills Action ('RDAs' Welcome Boost for English Regions in Spending Review, Press Release, Yorkshire Forward, 5th July).

The TUC specifically welcomed the increased resources for RDAs. TUC General Secretary, **John Monks**, said:

We strongly welcome the commitment to a devolved regional industrial strategy and the significant increase in the budgets of the Regional Development Agencies. It is also excellent to see manufacturing benefiting from extra funding for science, innovation and technology transfer (TUC Press release, 15th July 2002)².

This was also endorsed by Digby Jones of the CBI who said:

I am delighted that the English regions have better resources to enhance competitiveness in a fiercely competitive global business environment (CBI News Release, 15th July 2000).

2.2.4

Towards Regional Housing Agencies?

Tucked away in the Spending Review was an apparent proposal to create a new actor at the regional level in order to further its housing policy objectives. The Spending Review committed the government to:

² In the run-up to the publication of the 2002 Spending Review, the TUC published its own document which demonstrated the scale of regional inequalities in England and called for additional resources for RDAs to tackle these problems (TUC 2002). The TUC's analysis bore a close similarity to that published by the Treasury as part of the 2001 Pre-Budget report (see HM Treasury, 2001 and our Report No 6, February 2002). Moreover, the TUC's proposed budget increases for RDAs proved remarkably accurate.

establishing *strong regional housing bodies*, bringing together existing funding streams into a single non-ringfenced budget, so as to enable housing investment and planning decisions to be better integrated with transport and economic development. This process will need to be supported by a more strategic approach to the regional distribution of funding, including a review of the funding formulae and systems (para 23.14, emphasis added).

The Deputy Prime Minister expanded only briefly on these proposals in his statement to the Commons on the Spending Review. He announced two proposals for institutional innovations. First, he proposed to establish a single housing inspectorate, incorporating the relevant activities of the Audit Commission and Housing Corporation. Second, he announced his intention 'to establish strong regional bodies, going with the grain of our proposals for regional governance. These will bring housing investment together into a single regional pot. And they will link that investment with planning, infrastructure and economic growth strategies' (Prescott, 2002).

The proposal for a single inspection body for housing was broadly supported by housing professionals. A survey of its members by the Chartered Institute of Housing found 87 per cent of its members backed the idea (<http://www.cih.org/frames.php?page=/section6/introf.php?>).

The proposal to create regional housing executives fits with the proposal in the government's white paper on regional government to hand over housing allocation powers to elected assemblies (see our previous report No 6). The proposal appeared to cause consternation among some at the Housing Corporation, the body most likely to be affected by this proposal (see 'Devolution deliberation', *Inside Housing*, 19th May 2002). This unease appeared to be compounded by the announcement in the Spending Review (see 'Housing Corporation could become "redundant"', *Inside Housing*, 17th July 2002).

The implications of the proposed changes for the sector are beginning to be given an airing in the housing press. For instance, a concern of some bodies is how a process of asymmetrical devolution might affect the governance of housing. The National Housing Federation accepted the logic of creating regional bodies to fund housing, but said it depended upon the pace of moves toward Regional government. Its deputy chief executive said: 'It would make sense for the (housing) corporation to remain in existence until there is a full house of regional housing executives' (quoted in 'Housing Corporation may be replaced by regional bodies', *Public Finance*, 26th July 2002).

The advantages of the government's proposal were outlined by the Regions' Minister, Nick Raynsford:

Currently there are support streams which go either for local authority or housing association housing. Under our new proposals the regional assembly will have oversight over the whole pot and will be able to shift the balance as it sees fit between refurbishment and new build (quoted in *Inside*

Housing, 17th May 2002. For a useful overview of the housing implications of the White Paper, see Slocombe, 2002).

In his speech to the House of Commons, the DPM said he would make a further announcement in the autumn on the proposed new structures in Autumn 2002.

2.2.3 *New appointments to RDA boards*

Trade and Industry Secretary Patricia Hewitt announced new appointments to lead three Regional Development Agencies (RDAs).

In December 2002, when the current Chairs' terms of office end, Juliet Williams will become RDA Chair in the South West, Jim Brathwaite in the South East and Nick Paul in the West Midlands. Making the appointments, Ms Hewitt said:

RDAs now have more resources and responsibilities than ever before, thanks to the Spending Review and the RDA's single budget. It could not be a more exciting time to become an RDA Chair. These three new appointments bring a wealth of business and civic experience to the challenge of promoting the economic development of their regions. I'm sure the new Chairs will build on the work already begun to widen the winner's circle and raise the growth rate of each region ('New Regional Development Agency chairs for South West, South East and West Midlands', DTI News Release, P/2002/518, 5 August 2002)

The appointment of Juliet Williams as Chair of the South West of England Regional Development Agency makes her the first woman to become an RDA Chair. Jim Brathwaite CBE is Chief Executive and founder of XL Entertainment, a media rights company based in Chichester. And was also Britain's first black CEO of a publicly quoted company.

According to press reports the appointments reflect, in part, the personal commitment of Patricia Hewitt to raising the profile of women and ethnic minorities in public life. In December 2001, Ms Hewitt said: 'It is crucial that RDA boards are representative of not just business and employee groups, but society as a whole' ('First black and female heads of RDAs named', *Financial Times*, 6th August 2002). According to the *FT*:

Patricia Hewitt yesterday shrugged off behind-the-scenes criticism from business leaders about "politically correct" appointments by selecting the first female and black heads of regional development agencies [...] Privately, business leaders have queried Ms Hewitt's determination to raise the proportion of women and ethnic minority members, saying business experience and regional influence should be the only criteria ('First black and female heads of RDAs named', *Financial Times*, 6th August 2002).

2.2.3

Better Regulation Taskforce study of RDAs

A study published by the Better Regulation Taskforce investigated the local delivery of central policy (Better Regulation Taskforce)³. In some respects it covered the same ground as an earlier PIU report (PIU, 2000: see also Tomaney 2001). The Taskforce examined the activities of training and economic development bodies. Its stated:

We found complex delivery mechanisms, multiplicity of partnerships and working arrangements, duplicated audit and inspection, multiple accountabilities, lack of “ownership”, unnecessary and wasteful complexity and conflicting targets. We cannot quantify the waste but it must be significant. And perhaps just as important and wasteful, the muddle disempowers and disengages those external experts from business and other backgrounds whom the Government has deliberately recruited in order to make things better at local level – including members of Regional Development Agencies and Local Learning and Skills Councils (pages 4-5).

It further stated:

The research highlights problems caused by the absence of an integrated regional perspective on local areas within the region, and reinforces the sense that the presence of Government within the region has multiplied but remains fragmented (para 4.2.2).

Reflecting on the possibility of elected regional government the Taskforce argued:

The implementation of the Regional White Paper may be an opportunity to resolve some of the confusion by bringing together regional and subregional organisations under the elected regional assemblies. However the proposals also have the potential to add to the complexity, if central Government does not step back. Any move towards regional government must be accompanied by a genuine devolution of power from central Government. Where elected regional assemblies are created, they should be allowed to work without interference

³ The Better Regulation Task Force was established in September 1997. It is an independent body that advises Government on action to ensure that regulation and its enforcement accord with the five principles of good regulation: Transparency, Accountability Proportionality, Consistency Targeting. The Task Force does this by carrying out studies of particular regulatory issues. These reviews are taken forward by sub-groups of Task Force members who set their own working methods and produce detailed reports. As an advisory group with limited resources, the Task Force cannot carry out full consultation, but all sub-groups discuss their proposals with key organisations and individuals, as well as with Ministers and Government Departments. All reports are endorsed by the full Task Force before being sent to the relevant Ministers for their response. The Prime Minister has asked Ministers to respond to Task Force reports within 60 days of publication.

with all stakeholders in delivering improved services for the end user. All Departments must consider critically which services and staff must be delivered in a fully consistent manner and so must be directed from the centre, and which would be improved by taking into account regional and local conditions. There should be a bias towards devolution. And yet where functions are devolved, this must not lead to extra layers of bureaucracy and lots more staff. If functions are passed from the centre to nine regions, this might result in nine times the number of public servants carrying them out. This must not happen. It will be important that existing layers of control are stripped away from both above and below the regional level (Recommendation 1.1).

As far as RDAs are concerned, the Taskforce report reiterated some now well-worn observations. Notably, it identified the large number of centrally imposed targets which govern the activities of RDAs. It argued:

There is a danger that with so many targets, the RDAs will lose focus and move too far from their core purpose of implementing the Regional Economic Strategy (para 9.1).

It identified an additional problem of inconsistency:

There are conflicting targets. For example, local Business Links Operators are not given a target for local business start-ups, as it is believed this might adversely influence the advice given to potential entrepreneurs. A business adviser chasing a target for start-ups might not give the best advice to each client. Yet the DTI, which is responsible for both Business Links and RDAs, does set start-up targets for the RDA. There is no logic in this (para 9.2).

It also suggested that some RDA targets were 'unrealistic':

Some of the Tier 2 targets are unrealistic. For example, Gross Domestic Product (GDP) or house prices targets, whilst useful indicators of successful economic development in a region, do not make good targets, as many of the variables affecting achievement of the target are beyond an RDA's control (para 9.3)

In addition there is potential conflict between RDA targets and those of other bodies operating at the regional level.

National targets for the LSC for raising the achievement of young people and adults are set out in the grant letter sent by the Secretary of State to the LSC. Examples are a 5% increase in the number of learners reaching Level 2 NVQs by the age of 19 by the end of 2002; and the percentage of adults at Level 2. The RDAs have vague Tier 3 targets for education and skills to 'support the creation of learning opportunities for 'x' individuals'. It would make sense for the RDAs to have targets which are in line with the LLSCs in their region (para 9.4).

The requirements of reporting to the centre are burdensome for RDAs:

Centrally imposed monitoring and auditing takes up far too much time, and distracts those whose job it is to deliver from doing so. RDAs have to report annually to Parliament, Government Ministers, national civil servants, the NAO; quarterly to DTI via the Government Offices and Regional Assemblies; and monthly to the Government Offices⁴ [...]

The RDAs have guidance from both DTI and the Office of the Deputy Prime Minister, but these both focus on monitoring systems and what may be acceptable. The RDA single budget should simplify monitoring, but Departments still want to see 'their' money spent as they intended. To ensure this, Departments' bureaucracy has shifted from the RDA funding stream to the RDA targets (para. 9.5).

The report concluded that DTI should set 'fewer, sharper, smarter targets for RDAs, focussing on targets that RDAs can genuinely influence and ensuring that targets are aligned between delivery agencies'.

2.3 Regional Chambers/Assemblies

2.3.1 Reactions to the White Paper

Regional Assemblies became a focus for reaction to the Government's White Paper in several regions. For instance in the East Midlands the Regional Assembly held a 'workshop on 21st June in order to develop a response. A report of the meeting, in which a wide variety views and issues were raised is posted on its website (see: <http://www.eastmidlandsassembly.org.uk/>). The Yorkshire and Humber Regional Assembly held meetings throughout the region in June July to provide a forum for discussion of the White Paper.

The North West Regional Assembly held its annual meeting in Keswick on 23rd July. The Assembly reported that over 400 delegates attended the meeting. The Assembly claimed 'few delegates could be left with any doubt that the North West has the ambition and determination to be among the first regions to push for a directly elected regional assembly'. The Assembly's new Chairman Cllr Azhar Ali made the case for devolution on the grounds that it will better recognise diversity, both between and within regions. Without the power to take real and meaningful decisions close to where their affects will be felt, he warned of the opportunity for other forces to fill the power vacuum⁵.

⁴ An RDA executive is quoted as saying: 'For the last 3 months I've been involved in nothing but navel contemplation. Shortly we are actually going to stop doing anything apart from reporting on ourselves' (para 9.6).

⁵ See: http://www.nwra.gov.uk/newsDetail.asp?id=95&category_ID=6.

The South West Regional Assembly met to discuss the question of regional governance on 12th July. Chester Long, Chair of the Assembly said:

We are all delighted to have clarity on the Government proposals. This Paper offers an ideal opportunity for a debate on the future of the South West. The region is being offered a range of options, and there will many views on what is best for the South West. We hope people across the region will respond to the Government; the Assembly will aim to encourage debate on the key issues before preparing its own response (<http://www.southwest-ra.gov.uk/>).

In the North East, the debate stroke a note of controversy when Peter Atkinson MP (Cons, Hexham) claimed that the North-East Assembly, had used funds and staff time to promote the case for regional government. He described the NEA's recent annual meeting held in June 2002 at Lumley Castle and addressed by the Schools Minister David Milliband, as a 'rally for regionalism' and that money had been spent on producing documents in support of regional rule. In addition Mr Atkinson also alleged that funds had been spent on a policy document entitled "The First English Region" which put the case for home rule ('Minister greeted by funding row', *The Journal* [Newcastle], August 1st 2002).

Mr Raynsford ruled out the use of Assembly monies for a 'yes' campaign. Responding to questions following his speech to the Campaign for the English Regions in Newcastle (see section 3.1), he said:

We are saying quite clearly that no public money should be used for campaigning purposes and to the best of my knowledge no money has been used. Funds for that should be raised privately (*Northern Echo* [Darlington], 1st August 2002).

2.2.2 *Other issues*

Regional Assemblies continued to develop their role as 'voices' for the regions. For example, the South East England Regional Assembly voiced concerns that the Mayor of London's Plan could have serious consequences for housing and transport in the South East. The Regional Assembly's Planning Committee has expressed doubts about the balance of the London Plan. The Committee said the Plan's aim to create substantially more jobs in the capital does not seem to match housing and population forecasts and suggested this could create pressure for more homes and inward commuting in the South East (South East England Regional Assembly, News Release, 'South East objects to London Plan, 2nd August 2002).

Elsewhere Assemblies are undertaking policy development work, In the South West, the Assembly has undertaken a study of the provision of training in the region. The report makes recommendations for improving the delivery of regional skills policy (see: <http://www.southwest-ra.gov.uk/>).

2.4 Other bodies

The Better Regulation Taskforce made recommendations about the operation of Local Learning and Skills Councils (LLSCs) (Better Regulation Taskforce, 2002). Echoing its remarks about RDAs, the Taskforce concluded that LLSCs operated in an environment of too many targets. It recommended:

- DfES should review and rationalise the targets Local Learning and Skills Councils set local colleges and training providers, and should not seek to introduce new measures of every facet of their activity.
- DfES should measure, and progressively reduce, the total administrative burden on colleges and training providers of the accountability framework.
- The LSC should ensure it does not impose unnecessary burdens on local LSCs and should pass on to them as much budgetary flexibility as possible.

3 Regional Politics and Policies

3.1 The aftermath of the White Paper

The implications of the strategy for achieving elected regional government set out in the White Paper on English regional Assemblies continued to be outlined by Ministers. In a speech to the Campaign for the English Regions in Newcastle upon Tyne, the Regions Minister gave further details of the mechanisms by which the government would assess in which regions a referendum could be held. He said:

In some cases, though, the level of interest in a region may be inconclusive — not high enough clearly to justify a referendum, but not low enough definitely to rule it out. Such cases could be rare — it may be that the level of interest is pretty clear-cut in all regions. But where this is not the case, it will also be important that we consider carefully the potential distraction for local government of a review and any subsequent reorganisation (Raynsford, 2002: para 7).

We will seek the views of the people in all eight regions before taking a decision. We will explicitly seek the views of the regional chamber, local authorities, MPs and other key stakeholders. As representative bodies and individuals, their views will clearly be important. We will also listen to the constitutional conventions that now exist in most regions. For all these bodies and individuals, the strength of their voice will be increased if it is clear that they have consulted widely themselves. And of course we will also take account of

relevant letters and petitions from members of the public (para 11).

As the White Paper made clear, it is possible that only one, two or three regions may go ahead first. I cannot pre-judge our decision. But at present, interest in holding a referendum looks highest in the three northern regions, especially the North East. It looks lowest in the South East and East of England ... Ultimately, these must be matters of Ministers' judgement (paras 14, 15, emphasis in original).

We propose formally to seek views whilst the Bill providing for referendums on elected regional assemblies is before Parliament. We would aim to allow 12 weeks or so for people to respond. We would aim to make our decision shortly after Royal Assent, and would then direct the Boundary Committee to start a local government review in the region, or regions, concerned (para 17).

Mr Raynsford placed the onus on campaigners to assist the process:

The Campaign for the English Regions has an important opportunity from now until the Government reaches a decision on which region or regions will hold a referendum initially. I would encourage the Campaign and the constitutional conventions to build on their existing work in increasing awareness of the White Paper's proposals and interest in holding referendums. This is an exciting time for those who believe in elected regional government and I look forward to continuing to work with you as we take our policy forward (para 22).

3.2 The emerging campaign in North East England

The Labour Party in the North East publicly announced its intention to play a low profile in any forthcoming referendum campaign. A meeting of the party in Darlington heard the Health Secretary, Alan Milburn, warn against complacency and stress the difficulties of a winning a 'yes' vote in a climate when politicians are held in such low esteem (Source: author's notes). A Labour North spokesman said:

... Labour should play an organisational and supporting role but not a dominant role. Labour will be part of a broad-based campaign but the point about an assembly is that it represents everyone. We have to see ourselves as one of the groups, political and non-political, who want a bigger voice for the region ('Labour won't lead home rule drive', *The Journal* [Newcastle], 28th June, 2002).

Ironically, the North East Conservative Party adopted a remarkably similar position. A spokesperson said the party planned to take a low profile:

We don't want to alienate anyone voting simply because the Tories are saying no. I expect there will be a broad-based campaign formed. It isn't just the Tories saying no and that should be reflected in the campaign ('Tories to keep low profile on assembly', *The Journal* [Newcastle], 14th June 2002).

In to this vacuum other forces have stepped to playing leading roles. The Right Reverend Michael Turnbull has written to regional political parties, the present unelected North-East Regional Assembly and the Trades Union Congress to help draw up a battle plan to become England's first devolved region. A meeting will take place in September to create a detailed strategy plan and decide the way forward for a 'Yes' campaign (*Northern Echo* [Darlington], 1st August 2002). The process of creating a viable 'yes' campaign in a context where the Labour party, for understandable reasons, feels unable to lead is likely to pose a significant challenge in the North East.

An emerging issue in the debate in the North East is the location of a future regional assembly. Durham County Council announced its belief that a North East Assembly should be based in the county because it is in the centre of the region. It claimed where the headquarters are could affect whether voters support or oppose the new body. It is called on the government, rather than the assembly, to decide the location before the vote.

Council chief executive Kingsley Smith said:

This is a factor which will influence voters' attitudes on whether regional government seems to them a good thing. Given the particular geography of the North-East, the optimum location is in the centre of gravity of all of the communities of the region, namely somewhere in County Durham. However, if the decision was left to the new assembly, the balance of power geographically will lie with Tyne and Wear plus Northumberland, as against County Durham plus Tees Valley. It would therefore be sensible for the Secretary of State to have powers to determine in which of the four sub-regions the headquarters should be located and to make this decision known before a referendum takes place, 'Location of assembly could affect vote', (*Northern Echo*, [Darlington], Friday 19th July 2002).

Sub-regional concerns were also raised on Teesside. Cllr Ken Walker, former leader of Middlesbrough Council and now a member of Mayor Ray Mallon's cabinet said:

I fear for what may happen in the southern part of the region if certain things happen. If Middlesbrough needs to stick out with its own view on this issue, against the big system, so be it ... we could have a centralisation of what is part of local democracy, under a regionalisation agenda' (*Evening Gazette* [Middlesbrough] 7th August).

The Council is preparing its response to the White Paper.

3.3

Reactions to the White Paper by regional campaigns

The Campaign for the English Regions has published its response to the Government's White Paper 'Your Region; Your Choice'. In preparing its response CFER consulted the six constitutional conventions and campaigns active in the English regions. CFER National Campaign Officer Don Price said:

We welcome the government's proposals. They have given us a good base to work from. Of course there is more work to be done. In particular we need to see much deeper devolution of powers in the areas of transport, planning and learning and skills to give the new assemblies the ability to make a real difference to the quality of life in our regions. The other key point that the Government must look at is the size of the assemblies. The Government have said there will be between 25 and 35 members elected to each assembly. Whilst 35 members in an assembly might just be enough to represent the diversity of the smallest region, the North East, with a population of 2.5 million, this limit is totally impractical in big regions like the North West, which has a population of 6.8 million. In this case size does matter! (www.cfer.org.uk).

The Campaign also want to see the assemblies given a power of general competence that would allow them to respond with speed and flexibly to the needs of their region outside a predetermined legislative framework.

CFER is calling for at least one elected assembly to be established within the lifetime of this parliament. This timetable will require the Government to show commitment to the regions by allocating Parliamentary time for the necessary legislation, starting with the launch of referendum legislation in the Queen's Speech in the autumn.

The Campaign for Yorkshire (CfY) welcomed the publication of the White Paper on Regional Governance. CfY produced its own White Paper in September 2001 outlining what it wished to see in any future legislation. It claimed the government's White Paper 'goes some way to matching what the Campaign asked for and, importantly, has indicated the size of budget that an elected assembly for Yorkshire could expect to control' (Campaign for Yorkshire, 'Building for the Future of Yorkshire', Press Release, 9th May 2002. See: www.cfy.org.uk).

Campaign Director Jane Thomas said:

What currently exists is a step in the right direction but does not work as well as it could. We should not be afraid to take that next step and use the opportunities presented to us in the White Paper to take some control over our own future. I believe that the region is missing out by not having an elected assembly, however it is for the people in Yorkshire and the

Humber ultimately to decide, and I look forward to campaigning on this issue over the next few months.

The West Midlands Constitutional Convention held a meeting on 6th July at which there was 'a general feeling was that the proposals do not go far enough' (www.wmccweb.org.uk/fnews.html). The conclusions of the meeting will inform WMCC's official response to the government's proposals.

4

Media

Following reports that consolidation of ownership of ITV companies was leading to the erosion of regional identity⁶, the Culture Secretary, Tessa Jowell stated the government's commitment to regional TV in a speech to the Social Market Foundation. She said:

There has been speculation that ITV companies, on a course as they are for ever-more consolidation, will move away from their regional identities and their regional commitments. There is a view that Government, in allowing non-EU ownership would encourage that tendency even further as global players would then import globally produced programmes into the UK market.

Let me take this opportunity to stress how inaccurate those views are. Owners of Channel 3 Licences knew what their regional commitments were when they took the licences on. Any future buyer will know what they will be required to do.

She added: 'Regional character matters. We will look to Ofcom to defend it with vigour.' The Culture Secretary listed the expectations for regional broadcasting built into the draft Communications Bill. They include:

- Under the Bill, public service broadcasters will have to agree targets with OFCOM for regional programming (ie programming of particular interest to persons living in the area for which it is provided) and/or regional production (ie programme production and investment in the UK, outside the M25 area).
- Channel 3 will have targets for programmes produced in the regions for the regions, programmes made regionally for national audiences and investment in programme production in the regions. It will also have targets for the provision of high quality regional programmes, including news, a sufficient proportion of which will have to be shown at or around peak time. These targets reflect but build upon Channel 3's current statutory and licence obligations.

⁶ The ITC agreed a new Charter for the Nations and Regions with ITV (ITC News Release, 'ITC agrees new charter for nations and regions', News Release, 45/02, 27 May 2002). Newspaper reports tended present the outcome as a leading to a cut in regional programming (see 'ITV cuts regional content to raise ratings', The Guardian, 28th May 2002)

- In addition, OFCOM will be required to publish a review of the regional obligations in each Channel 3 licence whenever ownership changes hands and to change licence conditions to meet any concerns arising. The ITC currently has a similar duty but the Bill will make OFCOM's role more explicit.

For radio, new proposals are included in the Bill to give Ofcom greater powers than those currently available to the Radio Authority to protect the local character of local radio ('Tessa Jowell stresses importance of regional TV', DCMS News Release 117/02, 19th June 2002).

5 Public attitudes and identity

There were no polls on public attitudes in the last quarter.

6 Relations with Westminster and Whitehall

6.1 Westminster

The Minister for Local Government and the Regions, **Nick Raynsford**, explained the Government's proposals set out in *Your Region, Your Choice*, at a meeting of the Standing Committee on Regional Affairs on 17th July, the first meeting of the Committee since March 2002⁷. The Minister presented the government's plans and Members questioned him. The meeting covered much the same ground as that covered in the debate in the House, which accompanied the publications of the White Paper.

Elsewhere debate tended to be restricted to questions to Ministers (see Table 4). The most controversial issue was raised **Peter Atkinson** (Hexham, Cons) — see also section 2.3 above.

Mr. Peter Atkinson: To ask the Deputy Prime Minister how many reports have been made to his Department through the Government office of the north-east by the North East Assembly accounting for expenditure of money provided under the Strengthening Regional Accountability Initiative; and if he will publish them.

Mr. Raynsford: The Government office has arrangements in place which require the North East Assembly to submit quarterly reports accounting for expenditure of money provided under the regional chambers fund. The quarterly reports are followed by a meeting between the North East Assembly and the Government office for the north-east, to

⁷ Standing Committee on Regional Affairs Wednesday 17 July 2002 (Westminster) [Mr. Bill O'Brien in the Chair] White Paper, 'Your Region, Your Choice', <http://www.publications.parliament.uk/pa/cm200102/cmstand/cmreg/st020717/20717s01.htm>.

discuss the reports in more detail. The North East Assembly has submitted one report, accounting for expenditure for the final quarter of 2001–02. This report was assessed and approved in line with guidance issued by the then Department of Transport, Local Government and the Regions. The report has not been published. The North East Assembly is a voluntary body and it is for them to decide whether to make their accounts available to the public (*HC Debates*, 25th June 2002 : Column: 821W.)

Table 3: Regionalism at Westminster

Source	Date	Subject	Raised By
Commons	24 June	Regional Theatres	Paul Farrelly (Newcastle-Under-Lyme)
Written Answers	25 June	Regional Spending	George Howarth (Knowsley North and Sefton East)
Written Answers	27 June	Regional Policy	Ashok Kumar (Middlesborough South and East Cleveland)
Written Answers	1 July	Regional Assemblies	Margaret Moran (Luton South)
Written Answers	3 July	Regional Government	Andrew Mitchell (Sutton Coldfield)
Written Answers	3 July	Regional Government	Mark Prisk (Hertford and Stortford)
Written Answers	3 July	Regional Government	Andrew Murrison (Westbury)
Written Answers	3 July	Regional Government	Laurence Robertson (Tewkesbury)
Written Answers	3 July	Regional Government	Christopher Chope OBE (Christchurch)
Written Answers	3 July	Regional Government	Ian Liddell-Grainger (Bridgwater)
Written Answers	3 July	Regional Government	Anne Campbell (Cambridge)
Commons	3 July	Regional Government	Graham Brady (Altrincham and Sale West)
Commons	3 July	Regional Government	Hugh Robertson (Faversham and Mid-Kent)
Written Answers	8 July	Regional Development Agencies	John Whittingdale OBE (Maldon and East Chelmsford)
Written Answers	9 July	Regional Funding	Alex Salmond (Banff and Buchan)
Written Answers	9 July	Regional Development Agencies	Debra Shipton (Stourbridge)
Written Answers	9 July	North-West Development Agency	Peter Pike (Burnley)
Written Answer	10 July	Regional Development Agencies	Andrew Robathan (Blaby)
Lords Written Answer	29 July	Office of the Deputy Prime Minister	Baroness Serota

6.2 Whitehall

In the aftermath of the resignation of Stephen Byers as the Secretary of State for Transport, Local Government and the Regions, major changes were announced which led to the dismemberment of the Department of Transport, Local Government and the Regions (DTLR). On 29th May 2002, the Prime Minister created a separate Department for Transport 'to focus solely on transport issues', with Alastair Darling as Secretary of State (see www.pm.gov.uk).

The remaining activities of DTLR were transferred to a new Office of the Deputy Prime Minister (ODPM), led by John Prescott. A useful summary of the role of the ODPM was included in the 2002 Spending Review document:

The ODPM brings together the Deputy Prime Minister's responsibilities for regional government and social exclusion with the local government, planning, housing and neighbourhood renewal responsibilities of the former Department for Transport, Local Government and the Regions. This new department at the centre of government will work with other departments to drive forward important priorities for the whole of the Government, particularly neighbourhood renewal, social inclusion and regional prosperity. It will promote effective devolved decision making to regional and local levels. Its own programmes will be directed at raising the quality of life in urban areas and other communities and will deliver investment and reform of housing and the planning system (HM Treasury, 2002: para 9.1).

The Office of the Deputy Prime Minister is responsible for regional policy within England, and aims to promote sustainable economic development in the English regions (see www.odpm.gov.uk.)

This is reflected in ODPM's published objectives, which include:

- “Successful regions, which develop a strategic vision for the future.”
- ODPM has specific responsibility for supporting the activities of the Regional Chambers.
- ODPM is taking forward the Government’s proposals on directly elected regional governance in England.
- ODPM also undertakes a programme of research on regional governance.

Lead responsibility for sponsorship of the Regional Development Agencies remains with the Department for Trade and Industry. However, ODPM remains responsible for the regeneration programmes — Single Regeneration Budget, Land and Property — which are administered by RDAs on behalf of ODPM.

The Regional Co-ordination Unit, which has overall responsibility for the Government Office network, has transferred from the Cabinet Office to ODPM.

The aims and objectives of the ODPM are set out in Table 3.

The creation of the ODPM goes some way to meeting the criticism levelled at the departmental arrangements instituted by the Prime Minister in the aftermath of the General Election, which saw regional responsibilities split between three government departments. The new arrangements also place John Prescott back at the heart of the government's regional agenda. and the department's name reflects his

position. The new arrangements though are suggestive of a future 'Department of Local Government and the Regions'. The following ministerial appointments were made to the ODPM:

Rt Hon Nick Raynsford MP retained his position as **Minister of State (Local Government & Regions)**. Rt Hon Lord Rooker was appointed **Minister of State (Housing & Planning)** while Barbara Roche MP retained her position as **Minister of State (Social Exclusion) and Deputy Minister for Women**. Dr Alan Whitehead left the government, while Tony McNulty MP and Christopher Leslie MP were appointed **Parliamentary-under-Secretaries**.

Table 4: Aims and Objectives of the ODPM

AIM

Thriving, inclusive and sustainable communities in all regions.

Objectives and performance targets

Objective 1: work with the full range of Government Departments and policies to raise the levels of social inclusion, neighbourhood renewal and regional prosperity.

1. Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion.

2. Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. **Joint target with HM Treasury and DTI.**

Objective II: Provide for effective devolved decision making within a framework of national targets and policies.

3. Provide the opportunity by the end of this Parliament for a referendum on regional government in regions where there is a demand for it.

4. Improve delivery and value for money of local services by:

- introducing comprehensive performance assessments and action plans, and securing a progressive improvement in authorities' scores;
- overall annual improvements in cost effectiveness of 2% or more; and
- assisting local government to achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use.

Objective III: Deliver effective programmes to help raise the quality of life for all in urban areas and other communities.

5. Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt - and the sustainability of existing towns and cities - through specific measures to be set out in the Service Delivery Agreement.

6. All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006 with interim milestones to be agreed in the Service Delivery Agreement. The Department to deal with called in cases and recovered appeals in accordance with statutory targets.

7 By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.

7

EU issues

Nothing to report.

8

Local government

8.1

Local government reaction to the White paper on regional government

The implications of the government's regional White Paper for the structure of local government began to be addressed by local authorities themselves. This debate took on an added urgency in the North East, given the likelihood of the issues coming to a head first there. Two parts of the North East — Durham and Northumberland — have two tier local government. The pattern of debate is different in the two areas. In Durham acceptance of the principle of regional government among local authorities and the case for unitary local government appears to be broadly accepted by all local authorities. The debate there currently is characterised by jockeying for position on the part of the county and districts to be the unitary authority. In Northumberland the principle of regional government and the case for local government reform is more contested (often on the basis of what is means for sparsely populated rural areas).

In Durham, the County Council's cabinet welcomed the White Paper in principle but called for the assembly to have more powers than proposed, including, at least, control of Business Link, the Learning and Skills Council and youth service Connexions. The Council announced that in its formal response to the White Paper it will press for a countywide unitary council instead of authorities based on the existing districts (*Northern Echo*, [Darlington] Friday 19 July 2002). This outcome was by no means guaranteed, with the districts, while also generally welcoming the White Paper, rejecting the County Council's case.

Reviewing the debate in Durham, the *Northern Echo* noted:

But torn between the conflicting yet legitimate claims of the districts and the counties, the Boundary Commission may opt for a compromise. A 'third way' in New Labour language. At one stage in its deliberations, almost a decade ago, the Banham Commission not only revived the Ridings of Yorkshire, but it also actively considered the abolition of Durham County Council in favour of a merger of Sedgefield, Wear Valley and Teesdale, the joining of Durham City and Easington, and the amalgamation of Chester-le-Street and Derwentside as three unitary authorities. There are already signs of a movement for merger within the district councils which will see the extinction of Durham County Council ('Musical chairs at Town Hall?', *Northern Echo* [Darlington], 10th May 2002).)

This solution appeared to gain favour among the Districts. Wear Valley District Council leader Olive Brown (Lab) said: 'Each district will be fighting tooth and nail to survive, but at some stage along the line, there'll have to be some sort of coming together of local authorities.' Teesdale District Council chairman Newton Wood (Independent) saw the writing on the wall for one of the country's smallest local authorities. 'Whichever way they decide, it looks pretty ominous for Teesdale. If they get rid of county councils we will more than likely be phased into another district council.' Durham City Labour group spokesman Mick Bennett said: 'We already have experience of working with other authorities through our concordat with Easington and Sedgefield councils' ('Musical chairs at Town Hall?', *Northern Echo* [Darlington], 10th May 2002).

The Northern Echo noted some possible advantages of this arrangement:

The merger of districts, rather than their destruction, is a compromise which may win favour with a Government desperate to have a central plank of its devolution programme up and running before the next General Election. It will also leave Durham County Hall vacant, ready for a new lease of life as the home of England's first regional assembly ('Musical chairs at Town Hall?', *Northern Echo* [Darlington], 10th May 2002).).

The debate took on a different character in Northumberland. At a special meeting of Alnwick District Council, in which independents form the largest group, members delivered an overwhelming rejection of plans to introduce a North East Assembly. Its leader, Cllr. Sue Bolam (Independent), said such an assembly would lead to less representation for the District. She expressed concern the results of a referendum would be determined by the 68 per cent of residents in the North East who live in urban areas. She said: 'There are many people in towns now and quite a movement that see the countryside as an urban playground, where people don't live and work. That attitude will gain strength in a regional assembly.' Her comments came as members were asked to prepare a response to the Government White Paper on regional government. Cllr. Bolam's sentiments were widely endorsed by fellow members and while Cllrs. Robert Arckless (Lab) and Eileen Blakey (Lib Dem) said they supported regional government in principle they had reservations about the current form which is proposed, whereby a decision about local government in the area would be effectively taken outside ('Overwhelmed by urbanites', *Northumberland Gazette*, [Alnwick] 19th June, 2002).

In neighbouring Berwick a full Council meeting welcomed the publication of the White Paper. Cllr. Laraine Wotherspoon (Lib Dem), the borough's representative on the North East Assembly, said:

Our close neighbours across the border have made devolution and the additional funding from the Barnett formula work very well for them. Theirs is an example that shows what can be achieved by having a firm regional base, drawing powers down from Government and gaining a stronger voice to argue for more resources. I would say the proposals in the white

paper represent a first step towards reforming the currently chaotic government structure at regional level. However, in many ways it does not go far enough and there are a number of problem areas ('Assembly doubts are raised', *The Berwick Advertiser*, 1st August 2002).

Similar concerns about urban dominance were raised in the ensuing debate.

The debate on the implications of regional assemblies for local government is not restricted to the North East. Proposals for a Yorkshire Assembly were rejected by Hambleton District Council. The Council's deputy leader Cllr. Arthur Baker (Cons) said:

We do not want a regional government for Yorkshire. If the Government wants to devolve power at local level it should be devolved to local authorities.

He raised the question of urban dominance:

Almost 90 per cent of the population of Yorkshire do not live in the north and have no interest in our local government — and yet they will have a say in determining the shape of our future service ('Elected regional assembly is 'change for sake of change', *The Northern Echo*, [Darlington] 2nd July 2002).

In the North West the future of the counties was also raised. Stephen O'Brien, Conservative MP for Eddisbury promised to resist any changes to Cheshire County Council:

Along with my constituents, I shall be watching what Nick Raynsford does like a hawk. The Government pretends that it's a friend of counties but is putting together the building blocks to destroy them (*Liverpool Echo*, 31st July 2002).

8.2 The future for elected Mayors

We noted in our last report that tide seemed to be flowing against the introduction of further elected mayors. In June the Local Government Minister, Nick Raynsford, announced that the government would not compel referendums to be held in towns where consultations suggested that there might be an appetite for change.

[...] The Secretary of State has the power in certain circumstances to direct a council to hold a referendum, including where it appears that the council has failed to have due regard to the outcome of local consultations. I told the House on 7 March 2002, *Official Report*, column 553W, that the Secretary of State did not intend to make any such directions until after we had completed a review of the regulations governing mayoral referendums, following the report, 'Reinvigorating Democracy? Mayoral Referendums in 2001' which the Electoral Commission, published on 1 February 2002.

Since that time we have been putting in place proposals for a comprehensive performance management regime for councils, including independent assessment of their corporate performance. We are giving greater freedoms and flexibilities to all councils, with greater freedoms for high performing authorities. Within this framework, we believe it will be right for each council to make and justify to local people its own judgments on the outcome of any consultation about proposals for a new constitution. Accordingly, in cases where, in our view, having regard to the outcome of the consultation, the judgment a council has reached does not appear to be justified, *our approach will be not to intervene to direct a referendum.*

We had informed Birmingham, Bradford and Thurrock councils that the Secretary of State was minded to require them to hold a referendum, on the grounds that the councils failed to have due regard to the outcome of local consultations. These councils judged that the results of their consultation on new executive arrangements did not warrant giving local people the opportunity of a referendum. We took, and continue to take, the view that the consultation results would have justified a referendum. *However, on the basis of the approach I am announcing today, my right hon. Friend the Deputy Prime Minister does not propose to use his powers in these cases.* We believe it is right that we make this clear to the councils today in order to remove uncertainty for them. (HC Debates, 25 Jun 2002, Cols: 812-813W: emphasis added)

In his speech to the Local Government Association, the Deputy Prime Minister, reflecting his priorities for local government now that he held responsibility for it again appeared more emphatic.

People are asking about our policy on directly-elected Mayors. Well, having a Mayor to lead your local council is an option. One that local people have so far chosen in eleven areas and rejected in seventeen. We believe Mayors should remain an option that local people can choose through a referendum. But I am not in the business of second guessing councils and forcing them to have referendums. That judgement is theirs to make and theirs to justify (Prescott, 2002).

9

Finance

The Spending Review 2002 contained a number of statements which the government claimed would lead to greater fairness in the allocation of resources to the English Regions (HM Treasury, 2002). It stated:

ODPM is the largest single contributor the Regional Development Agencies' Single Pot, with RDAs making

contributions to ODPM objectives on regional growth, regeneration, urban policy and social inclusion. The 2002 Spending Review gives ODPM a significant real terms increase in funding for RDAs, and also allows the recycling of savings from the wind-down of the Single Regeneration Budget into the Single Pot. This will give the RDAs significantly more flexibility in their funding arrangements. As part of the Spending Review, £200 million of existing RDA funding will be transferred from capital to current spending in National Accounts (HM Treasury, 2002: para 9.13).

It continued:

There is no single mechanism for allocating public spending at regional level. Rather the identifiable level of public spending in each region is a reflection of a large number of allocation mechanisms, each tailored to the circumstances of the particular spending programme. In many cases the allocation is not to the region as such but is to, for example, local authorities or individual claimants or projects in each region.

Achieving greater regional fairness is not therefore a matter of reforming any single allocation mechanism. However, the Government is aiming to improve the allocation of public spending to key public services, for example:

- consulting on options on a fairer, simpler, more intelligible and more stable system of distributing grant to local authorities in England. The new system selected following the consultation will replace the Standard Spending Assessment in 2003-04. This Spending Review provides for average increases in general grant of 3.9 per cent a year in real terms;
- introducing a new formula for allocating resources to Primary Care Trusts (PCTs) will be announced in Autumn 2002 - by 2004 they will control 75 per cent of the health service budget, following the largest ever sustained investment in the NHS announced in Budget 2002. Reducing health inequalities will be a key criterion for allocating NHS resources under the new formula;
- reviewing the police allocation formula to tackle crime across England and Wales in a fair and effective way;
- establishing strong regional housing bodies, bringing together existing funding streams into a single non-ringfenced budget, so as to enable housing investment and planning decisions to be better integrated with transport and economic development. This process will need to be supported by a more strategic approach to the regional

- distribution of funding, including a review of the funding formulae and systems;
- consulting widely, in particular with employers, the Government will undertake a fundamental review of the funding for adult learning, to look better incentives, and how to encourage institutions to be more responsive to employer needs. The review will also consider how current funding arrangements could be reformed to enable RDAs to play a full and effective role in developing and implementing regional skills strategies. The review will be completed in time for any new arrangements to be introduced from April 2004; and
 - making the distribution of lottery funding fairer through a £150 million targeted Lottery initiative, Fair Share, to target deprived parts of the country, and areas that have received less than their fair share of Lottery proceeds (HM Treasury, 2002: paras 23.13-23.14).

A report in *The Guardian* in July 2002 suggested that that 'a specialist team in the Treasury' was considering 'a radical formula for distributing money within Britain'. The article claimed that the plan, designed to funnel money to the neediest areas, would cut spending per head in Scotland by nearly £600 a year. Northern Ireland would be hit, too: it is deemed to be getting £364 a year more per head than its inhabitants deserve relative to other parts of the UK, after taking into account its special security needs. According to the article, Wales would benefit, to the tune of £213 per head, while the North East, home to Westminster constituencies represented by the prime minister and other cabinet members, would see a significant net gain, allowing for a cheaper cost of living in Newcastle and Durham, worth £598 per head per year.

The article suggested that the devolved countries and regions team at the Treasury was trying to find an alternative to the Barnett formula and that the chancellor, Gordon Brown, has asked officials to review public spending according to how far it addresses the gap between the better off and the poorest. The article noted that officials in the Office of the Deputy Prime Minister are also looking in detail at financial flows to England's regions following the recent White Paper on English regional assemblies. They admit there has been serious undercounting in recent years, often to the benefit of London and Scotland. It concluded:

Any evidence that the north is being shortchanged will be seized on by campaigners for a regional assembly in the North East (David Walker 'Regions face funding shake-up', *The Guardian*, July 1st 2002).

10

The political parties

10.1

The Conservatives

When Iain Duncan Smith addressed the Local Government Association's annual conference in Bournemouth on July 4, devolution and decentralisation — but certainly not regionalism — was high on the agenda (Duncan Smith, 2002). Casting aside the Thatcher years with a degree of contrition, the Conservative leader challenged the "Whitehall knows best" philosophy, attacked the growing centralist tendency of Labour, and promised that a future Tory government would hand back a raft of powers to local government. 'For those of you who think you should be wary of opposition parties bearing gifts of decentralisation, history is on your side,' he acknowledged. Challenging the notion that services could only be effectively delivered by central diktat, he argued that local democracy should instead be harnessed, leaving communities to make decisions and decide their priorities - "that is the essence of local democracy." He added: 'If we can make a genuine and decisive shift away from a centralised system of delivering public services, and instead move power down to local communities, I believe we would then see a far greater interest in local politics.'

But 'local' is one issue, 'region' quite another. And Mr Duncan Smith made clear that fighting the Government's regional agenda would become a key battleground for the Conservatives over the coming months and years. Arguing that local government powers were threatened by the new regionalism, whatever ministers say to the contrary, he warned that Conservatives would fight the Government's plans 'because they are nothing to do with devolution and everything to do with centralisation.' He offered a 'simple test' for the Government's proposals .

Will the new powers of regional governments come from central government, or will they be taken away from local government? The answer I think is pretty clear. Proposals to take decisions about important things like planning, transport and housing away from local people have already been put forward. And, of course, the government has confirmed that regional government will require the restructuring of local government in some areas. This threatens the future of county and district councils (Duncan Smith, 2002).

In an unusual contribution to the debate, however, the Bow Group⁸, published a pamphlet which called on the Conservative Party to adopt 'devolution all round', and in particular, English regional assemblies in the next Tory manifesto. The paper argued:

⁸ 'The Bow Group is the oldest — and one of the most influential — centre-right Think-Tanks in Britain. The Group exists to develop policy, publish research and stimulate debate within the Conservative Party.' (<http://www.bowgroup.org/cgi-bin/page.pl?page=about/index.html>).

By choosing a theme of decentralising power to the English regions, the Conservative party can hope to revive neglected parts of its political heritage such as scepticism of central authority, increase our popularity with the voters, improve democracy and the current constitutional arrangements in Britain — and advance Tory views on reforming public services, liberty and Europe. Indeed, we will advance those ambitions more effectively with the strategy of devolution than by charging headlong towards them (Whelan, 2002).

It proposes English regional assemblies should delegated functions 'approximately equivalent to those delegated to the Welsh assembly':

Simply put, elected assemblies in the different regions of England would be responsible for the delivery of many public services, and have significant discretion in policy areas such as policing, transport (within the region) and so on. Of course, much of the impact of this policy would depend on the exact range of functions delegated. There is insufficient space in this brief – which is in any case advancing a primarily political argument — to deal with the mass of detail on organisation, finance, voting methods and so forth which would need to be addressed to bring this policy into effect (Whelan, 2002).

The paper does not address the likely appetite of the Party leadership for such a *volte face* from its current position of implacable hostility to regionalisation within England.

11

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