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Key issues

The English regions rapidly moved up the political agenda in last three months.

In particular there has been an increased debate about the funding anomalies affecting the English regions as a result of the Barnett Formula, which has received increased attention in the broadsheet press.

The Deputy Prime Minister, in an interview with one of the authors, outlines the factors behind Labour's growing interest in a regional approach to public policy.

Peter Mandelson declared his support for a North East Assembly.

Strengthened Government Offices take effect from April 2001.

A joint announcement by John Prescott and Gordon Brown gave more details on the financial and operational flexibility to be enjoyed by RDAs.

The DTI White Paper ascribes a central role to RDAs in the government's approach to industrial policy.

The Brown/Prescott announcement also provided resources to enhance the scrutiny role of regional Chambers.

The East of England Regional Assembly became the first Chamber to reject a (revised) version of its RDA's Regional Economic Strategy.

The Arts Council of England announced the abolition of Regional Arts Boards.

Alan Milburn announced changes to the structures of the NHS, which involves the abolition of regional health authorities.

The House of Commons Standing Committee on Regional Affairs met for the first time for 23 years.

Campaigns for regional government continue to grow, with new developments in the West Midlands and South West.

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1 Introduction

In our previous two reports (November 2000 and February 2001) we charted how the issue of regional government was beginning to emerge from the political shadows. In this report, we show how the media and political spotlight has now turned squarely onto the question of regional government and the issues that surround it. The last three months have seen a surge of debate and action in the regional field, including heavyweight political interventions by senior ministers such as John Prescott, Gordon Brown and Stephen Byers on the regional issue. We also report on Peter Mandelson's self-confessed 'conversion' to the regional cause.

Among the highlights in the current report is an interview conducted by one of the authors with the Deputy Prime Minister, John Prescott (parts of which appeared previously in *The Guardian*). The DPM's comments in this interview regarding the territorial distribution of public expenditure fuelled the growing debate about this issue, on which we report extensively below. The DPM reflects on the growing importance of the regional agenda for a Labour government, should the party win the election. The importance of the regional agenda is demonstrated in a range of government initiatives, not least in the Department of Trade and Industry's latest White Paper which is discussed in section 2.2. Another highlight is an interview conducted by one of the authors with the Director General of the Regional Co-ordination Unit (RCU), Rob Smith, in which the evolving role of the RCU and Government Offices of the Regions are discussed.

Given the rapid evolution of the regional issue and swift movement up the political agenda, we begin by outlining the dynamic character of the recent debate and by attempting to anticipate what the General Election might hold in store for the English regions.

1.2 Regions rising?

The last full day of parliament before the general election (May 10th) provided graphic evidence that the case for English regional government is edging towards the forefront of the agenda for a second Labour term. Beverley Hughes, a relatively junior but experienced minister from the Department of the Environment, Transport and the Regions, was fielded to put the Government's case at the first meeting (since 1978) of the English regional affairs committee, the re-formation of which is itself an acknowledgement of the vacuum in British governance. Prompting a *Financial Times* headline (May 11th 2001) to proclaim that 'Labour signals rapid regional referendums,' her comments — effectively the views of her boss, John Prescott — could be seen as one, last defiant gesture by the Department of the Environment, Transport and the Regions before - perhaps — being broken up after the election (See section 6.3 below). Except that the need to answer the 'English question' has, in the minds of previously sceptical ministers, now become such a constitutional

necessity that Prescott is no longer a lone devolution voice around the Cabinet table.

His most significant new ally is, the Chancellor, Gordon Brown. In a report in the *Independent on Sunday*, May 13th 2001, he acknowledged that he is worried about the growing affluence of London and the South-East compared with some other English regions. 'We must decentralise power in England,' he declared. (Note: 'decentralise' and not 'devolve'). Stressing repeatedly how closely he had worked with the Deputy Prime Minister, the Chancellor underlined Labour's manifesto commitment to not only give the eight Regional Development Agencies 'more power and accountability', but also to give local councils more leeway through 'new investment and financial flexibility' — in return for higher performance.

Any thoughts that outspoken comments from the Deputy Prime Minister on the need to reform the Barnett formula (*The Guardian*, April 24th 2001) had dented the Prescott-Brown axis were quickly dispelled with a repeat of the mantra that, 'John and I have been interested in the regions of England for several years...I have been as well, partly through the work in Scotland in setting up a parliament there.'¹ The significance of the Chancellor devoting a fair chunk of a lengthy interview to decentralisation and, implicitly, the north-south divide — if not full-blown regional government (for he is prudent constitutionally as well as fiscally) — should not be underestimated. Since our project began in November 2000, the speed with which the 'English question' has become a dominant theme of the (non-metropolitan) political debate has clearly surprised many observers. From the issue of a fairer system of funding throughout the UK for councils as well as regions, to the fears of wealthier regions, like the South East and Eastern that they will be left behind in any redistribution, this debate has provoked a string of politicians to take a side. Would leaders of all counties in the South East, for instance, have held a funding summit at Leeds Castle, Kent on April 30th) if they had not been worried about the prospect of poorer areas gaining at the expense of their region, which has its own pockets of poverty (see Section 9)?

Their fears were undoubtedly underlined by comments from John Prescott, in an interview with one of the authors (*The Guardian*, April 24th 2001). Raising the political stakes further, he provoked a storm of protest — particularly in Scotland, and Wales — by daring to suggest that the 23-year-old Barnett formula was certainly not 'written in stone'. While carefully accepting that comparisons between the regions and nations of the UK can be invidious and while acknowledging Scotland's particular needs — the cost of delivering services over sparsely-populated areas, for instance - he said New Labour only intended the formula to apply for the current parliament. 'No Government can guarantee beyond that.' In fact, Prescott had said much the same thing after the last election, with barely a whimper of protest. This time he suggested that, in the forthcoming

¹ Interview by Peter Hetherington, April 2001

(White Paper) review of local government finance it made sense to examine wider funding through the UK to ensure that regions as well as nations got their fair share. But in the run-up to an election, such comments gain a momentum of their own and Downing Street, in the form of Alistair Campbell, the Prime Minister's official spokesman, distanced itself from Prescott. There were no plans 'at present' for a review. In the run up to the election north of the border, the Scottish Secretary, Helen Liddell, has further modified this, claiming there are simply 'no plans'. In fact, courting controversy in his own North East region, Mr Blair on a campaign visit to Scotland — and in the face of growing nationalist pressure — offered a robust defence of Barnett:

I support the Barnett Formula. I think it is the right way in order to make sure we get a fair settlement for the UK. All the way through I have said we have no plans to change the Barnett Formula and I have supported it because I think it is the best and fairest way to distribute resources (quoted in *The Journal* [Newcastle], 15th May 2001).

Yet three days before *The Guardian* published the DPM's comments, the *Financial Times* (April 21st 2001), quoting Department of Trade and Industry sources — the Trade Minister (and former regions minister) Richard Caborn, is Prescott's key political ally — said that the government had taken 'the first tentative steps' towards revamping the Barnett formula. Officials at the DTI were drawing up proposals for changes. 'Whitehall officials say resentment is rising among MPs from constituencies in northern England, which receive less per head than Scotland despite being less prosperous,' it reported. Unconvinced by Downing Street's put-down, other informed commentators also spoke of Barnett facing a review, if not the axe. Quoting a senior Whitehall official, the weekly news magazine *Public Finance*, journal of the Chartered Institute of Public Finance and Accountancy, reported (April 27th 2001):

If regional assemblies in England go ahead, the formula will become unsustainable, but any change will be introduced sensitively. Under Barnett, public spending levels were supposed to converge, but that hasn't happened.

As David Curry, a shrewd commentator and moderate Tory MP for Skipton and Ripon (and former local government minister) wrote in the *Local Government Chronicle* (May 11), town hall funding disparities among hundreds of local councils with differing status can easily be dissipated with the government taking refuge between balancing winner and losers.

But if we move to regional government, the visibility of this issue immediately magnifies and the government will be hard-pressed to win an argument against local politicians campaigning against unfair funding. The siege of the Barnett formula is but a taste of the warfare to come.

Whatever the protestations to the contrary, insiders are in no doubt that the possibility of several regional referendums to test the mood for elected assemblies in the next parliament is concentrating both Whitehall and ministerial minds on the need for a fairer funding system.

While not even supporters of English devolution would dare suggest a groundswell of regional support for constitutional change — let alone whether referendums in individual regions would yet register support for elected assemblies — former devolution sceptics, such as the Hartlepool MP and former Northern Ireland Secretary, Peter Mandelson, recognise that a constitutional tide is slowly turning (see Section 3.3 below).

Whatever the reasons, John Prescott has welcomed the conversion of Peter Mandelson, and others, to the regional cause. Harmony appears to have broken out. It was not always so. Acknowledging clashes between ministers back in 1997, he repeated his personal commitment to full-blown English devolution in a recent interview — not just to decentralisation.

I've always believed it's a trade-off for devolution in Scotland and Wales. You cannot leave the English regions without it. Gordon (Brown) has seen something important as well. He's really switched to regionalism. Since he's got unemployment quite low, he wants to achieve more. He's really got to achieve it by regional machinery. If you decentralise the things dealing with that - give more to them - you'll be able to mop up a lot of unemployment in these areas. I think he's recognised as he's met the (RDA) chairmen just how useful they are².

And the agency chairmen, significantly, are showing signs of becoming more assertive. Alan Willett, chairman of the South East RDA (SEEDA) and current 'chair of chairs' of the eight RDAs, is showing a few signs of frustration over northern RDAs getting a much larger slice of funds than his own organisation. In this, he is representing the wider views of the south east - although, publicly, he would not go as far as the Conservative leader of Kent County Council, Sandy Bruce-Lockhart, who told the recent Leeds Castle summit:

Unfortunately, the Government devolution and regional agenda has opened up new inter-regional competition, which is both time-consuming and open to national Government favouritism (quoted in *The Guardian*, 30th April 2001).

On the one hand, Willett — like Bruce-Lockhart — is uneasy that poverty clusters of the south east, like east Kent, are often overlooked as ministers take on board the complaints from northern lobbyists. On the other, he is clearly concerned that his region's lobbying clout will be further diminished as northern regions raise the constitutional stakes and move towards a form of regional government. Willett, in an interview with one

² Authors' interview

of the authors, said the South East has to be very careful that it is not disadvantaged.

But where stands Tony Blair in this growing debate? Although it is always assumed that the Prime Minister is an English devolution sceptic, there is no record of him publicly opposing elected regional assemblies. John Prescott provides a clue to the Prime Minister's new thinking:

He knows there's a strong focus there. I think what he feared is a massive disruption of local government organisation - just look how much it cost us last time, a phenomenal amount of money, major disruption, and he thought what we were talking about on regions was a major and fundamental change in the whole government structure. I think in a way he's come (to realise) it's possible to move. They've seen the successes of the RDAs beginning to develop, the regional assemblies (formerly labelled chambers) and I think this is a kind of coalescence of views that have come from events...the tide has run for us. I might say, my own decision to trigger off the RDAs has concentrated an awful lot of minds³.

Prescott is now adamant that, contrary to Conservative claims, regional government - which, in his view, will have to be light-touch and strategic, with health and higher education responsible to Whitehall for the foreseeable future - will not mean the abolition of county councils. With this in mind, he appears in no doubt that, having taken the political temperature of his adopted north east, Tony Blair has had to acknowledge the case for strong regionalism. With feelings running strongly in the north, he says it has "concentrated the Prime Minister's mind" because, as he says, both Tony Blair and Peter Mandelson believed in strong central, not regional government. Prescott contends

I have never argued that central government should be weakened because you've got regional bodies ... the argument before has been that Whitehall always delivers best and knows best, but regions are now looking to London and saying 'maybe we can do things a bit better ... I think the regions would make for better government and make decisions more likely to work instead of blaming central government for getting it wrong all the time ... challenge central government where necessary⁴.

All this amounts to an argument for English devolution from a deputy prime minister who, unlike others, has been an utterly consistent advocate of strong regionalism since the early 80s — long before others jumped on the bandwagon from either belated commitment or political expediency. But it raises an other issue at the heart of the growing debate: what happens in those regions, like the South East — with an active regional

³ Authors' interview

⁴ Authors' interview

assembly supporting the RDA — where there is little demand for full-blown political devolution?

With the election campaign in full swing as we write — and a repetition of the manifesto commitment to test the temperature for regional government — the opposition has certainly not been persuaded to modify its hostility to English regional devolution by John Prescott's reassurances. But it has problems of its own, which intriguingly mirror Labour's internal divisions over Barnett. Archie Norman, the Shadow Environment spokesman (*The Journal*, Newcastle, May 10th 2001) branded the Barnett formula 'inequitable' and promised that a future Conservative Government would take a close look at it. Two days later William Hague in Scotland told an election audience they had 'no plans' to change the funding system.

2 Regional structures

Within the context of this burgeoning debate, the three months to May 2001 saw significant developments in the operation of the main regional structures, which are described below. These included the further strengthening of Government Offices (GOs) in the regions and more financial flexibility and operational autonomy for RDAs. Other significant development include the publication of DETR research on RDA strategies. In this section we also review the recently published DTI White Paper, which ascribes a key role to RDAs. Finally we, report the first signs of regional chambers beginning to assert themselves in their role of monitoring RDAs.

2.1 Government Offices

April 2000 was the date by which new functions (drawn from MAFF, DCMS and the Home Office) were to be moved into Government Office (GOs) in the regions. The move was a response to the recommendations of the PIU report on the role of central government in the regions; see Tomaney (2000) for an analysis of this episode. Also in response to the PIU report, the Regional Co-ordination Unit (RCU) was established in April 2000 to oversee the work of the GOs and influence central government departments' dealings with the regions. Inevitably, because it is so new, the RCU is little understood part of the Whitehall machine. But it is already becoming as a significant actor at the centre and in the regions. Below we give an account of the structure and activities of the RCU, drawing heavily on an interview the RCU's Director General conducted by one of the authors⁵.

⁵ Interview by John Tomaney May 2001.

The thinking behind the creation of the RCU was recently summarised by the minister in charge of its operation, Lord Falconer, in evidence to the House of Commons Select Committee on Public Administration:

We are acutely conscious that many positive initiatives can make competing over-bureaucratic demands on local partners. Our intention is to link up initiatives and simplify their management structures. Our first step has been to establish arrangements, which ensure that any new initiatives, any developed after consultation with the Government Offices and with the Regional Co-ordination Unit, is something the Performance and Innovation Report recommended but it is only the beginning. Both before and after the publication of the Action Plan we have been getting out and about talking to interested parties both in Whitehall and at the receiving end, at regional and sub-regional level. These common sense proposals have met with general support and in my view represent a sensible way of modernising and joining up the way Government works. Not only are we joining up activity in the regions but that process hopefully is percolating back to Whitehall. It complements initiatives taken at the centre to promote joint working (*Hansard*, 7th March 2001, Col1096)

The RCU is relatively small, comprising currently about 50 staff drawn from a range of departments across Whitehall, and is located in Riverwalk House, overlooking the Thames on London's Millbank and not as originally expected within the DETR's headquarters at Eland House in Victoria. It incorporates the previous elements of the Whitehall machinery concerned with the financing and personnel aspects of GOs. This aspect of the RCU's activities has grown slightly in the past year reflecting the increase in the number of departments represented within GOs. The number of policy specialists is relatively modest, comprising about half of the RCU's total complement.

In the new regime all departments are formally required to consult the RCU when introducing any new area based initiative (ABIs). But, Rob Smith, the Unit's Director-General, stresses that more important than enforcing this formal requirement is the need to build-up long-term relationships with departments. In particular, the RCU is seeking to develop intelligence about evolving departmental priorities and to influence them. The initial challenge for the RCU was to ensure that its role is understood throughout Whitehall and to demonstrate that it can, according to Mr Smith, 'add value' to the activities of departments, for instance by acting as an information exchange on issues concerning ABIs.

Rather than seeing its role as overseer, Mr Smith prefers to see RCU as standing at the heart of what he terms 'the Government Office Network'. Although he is the line manager of the Regional Directors, he stresses that RCU relies heavily on them for power and influence within the Whitehall machine. In an attempt to move away from a culture where GO Directors make regular trips to London to put a particular case to the old tripartite management board, GO directors now form a part of the board of RCU.

Involving GO Directors more directly in decision-making helps the regions to present a 'united front' to Whitehall. According to Mr King this is important, because of the uneven level of awareness about regional issues within Whitehall. While some departments (or parts thereof) are familiar with GOs, others are not. In Mr Smith's view, a 'Whitehall-centred view' still dominates within the senior civil service, with a relatively low level of understanding of the concerns of the regions and local government.

A major activity for RCU since its inception has been overseeing the strengthening of the Government Offices. Under the previous arrangements GO Directors had three separate lines of accountability to parent departments in Whitehall, a structure which, in Mr Smith's words, 'inhibited synergy'. The new arrangements have seen a reinforcement of the GOs links with Home Office and Department of Culture, Media and Sport (DCMS). A 'Crime Reduction Team' has been located within each GO, along with a DCMS Regional Director. Although these departments already had a presence in the GOs, the GO Director's now have a closer involvement in their management.

The restructuring of GOs, though, has been badly affected by the Foot and Mouth crisis. GO officials have played an important role in the fight against FMD in those regions that have been most badly affected — notably the North East, North West (Cumbria) and the South West (Devon). Although MAFF regional directors have moved into GOs, with the aim of ensuring the work of GOs incorporates a rural perspective, this development has inevitably been slowed by recent events. The evolving role of GOs will include providing a regional base for National Connections (the government's new 'joined-up' youth policy), Sure Start and the Children's Fund and the Neighbourhood Renewal Unit. Mr Smith identifies a role for GOs in relation to Local Strategic Partnership's (LSPs) describing them as 'midwife and monitor' and identifies a future role for the GOs in terms of monitoring local PSAs.

GOs administrative integration will be facilitated by the introduction of a 'single pot' to meet its running costs, with some local discretion of how this is spent. The running costs of GOs are in the order of £100m per annum in support of programmes that are worth £5-6 billion. However, GOs will not have the kind of flexibility to move money between programmes that has been accorded to RDAs (see section 2.2.1 below).

Looking to the future, Mr Smith does not anticipate GOs being a major focus of concern for regional chambers, except in areas such as transport. GOs, in Mr Smith's view, remain agents of central government and answerable to ministers. As far as future elected regional assemblies are concerned, Mr Smith notes the variety of possible models, but points out that within the London model GOs remain outwith the purview of the Mayor and Assembly⁶. Whatever model of devolved government emerges

⁶ It is worth noting, however, that ministers and civil servants whose activities have an impact on London have proved reluctant to subject themselves to scrutiny by the Assembly on the grounds that they are accountable to Parliament. This as proved to be a

within England, Mr Smith argues that recent changes have given GOs a clear role for the future.

2.2 Regional Development Agencies

2.2.1 More flexibility for RDAs

Previously we noted the new financial flexibility accorded to RDAs as a result of the announcements which accompanied the 2000 Spending Review. Further details of this were given by the Deputy Prime Minister John Prescott and the Chancellor Gordon Brown in a major announcement on the future of RDAs made to a meeting of RDA chairs in Middlesbrough on 9th March⁷.

The package of measures included:

- new flexibility for RDAs to decide their own budget priorities to deliver the new targets;
- £5 million to enhance regional chambers' and assemblies' scrutiny of RDAs' activities.

At the meeting Mr Prescott said:

Today we are setting out new and challenging targets which the RDAs collectively will need to deliver. We are giving the RDAs maximum flexibility to decide budget priorities within their growing resources to meet their regions' targets, without any unnecessary restrictions.

I am making £5m new resources available to Regional Chambers to help them establish a substantially expanded scrutiny role within the regions. For the coming year, I will be inviting each Chamber to come up with proposals for drawing down up to £500,000 to enhance its scrutiny role. A further £1m will be available for projects supported by the chambers collectively to support the expanded scrutiny regime⁸.

This new package of flexibility, outcome targets and scrutiny will enable RDAs to make rapid progress towards delivering their regional strategies — and unlock the potential of Britain's work force and enterprise.

Also speaking at the meeting, Mr Brown said:

The Government's aim is to deliver balanced economic development across all regions and nations of the UK, to ensure that all parts of the country share in rising prosperity.

cause of frustration to the assembly chair Trevor Phillips (see 'London Assembly seeks to boost powers', *Financial Times*, 25th April, 2001).

⁷ The announcement also included new initiatives to improve the scrutiny and accountability of RDAs, which are discussed below.

⁸ Discussed in section 2.3 below.

The RDAs are the key drivers of economic growth in the regions, and today's announcement gives them the tools to do the job - to encourage innovation, raise skills and promote enterprise; ambitions which will have a direct effect on the working and home lives of everyone in the community.

In terms of budget flexibility the joint announcement said that RDAs would have flexibility through the single budget from 2002/03 to deliver the economic development and regeneration of their regions. They will be required to use the money in ways which are within the Chancellor's fiscal framework, demonstrate best value for money and meet the usual rules on regularity - but without any unnecessary restrictions on the use of the single budget. It was stated in particular that the Government is not identifying any separate programs, ring-fencing any money, maintaining a separate administration budget or limiting RDAs' ability to carry forward resources from one year to the next. Further details on the RDA outcome targets can be found in DETR (2001).

2.2.2 *Research on RDA Regional Economic Strategies*

The growing importance in the role of RDAs was highlighted with publication of a major review of RDA Regional Economic Strategies by the DETR (DETR, 2001). The key findings of the study included:

- In all regions the process of developing the Regional Economic Strategies has been successful with an extremely large number and wide range of partner organisations involved. The RDAs have fostered widespread support of and commitment to the Strategies. This represents a major achievement, given the challenging timetable and organisational context faced by the RDAs.
- In all regions the extent of consultation on the draft Regional Economic Strategy (RES) was impressive, with a wide range of partner interests involved in formal meetings, conferences and written consultation.
- In general, the RDAs have developed close and positive joint-working relationships with the Regional Chambers. With only a few exceptions, Chambers were broadly satisfied with their role and influence in the Strategy development process.
- In general, the RDAs have recognised the importance of influencing the development of Regional Planning Guidance to ensure it is complementary to the RES. There is generally a low level of awareness and understanding of other non-statutory regional strategies in areas such as sustainable development or culture.
- The work of the RDAs and the production of the Regional Economic Strategies has been a major catalyst for increased involvement of all main regional stakeholder groups (such as the business, voluntary and

community, and higher and further education sectors) in developing priorities at the regional level⁹.

The research lends support to the growing feeling among ministers in all departments that RDAs represent one of the success stories of the Labour government. Initial sceptics — which included some in the Cabinet — have been won over and RDAs are taking an increasingly central role in Labour's industrial policy. This is aptly demonstrated in the latest White Paper from the Department of Trade and Industry.

2.2.3 *DTI White Paper*

In our previous report we mentioned the publication of the Government's White Paper on *Enterprise, Skills and Innovation* (DTI, 2001), publication of which came too late for a thorough discussion. A noteworthy feature of the White Paper is the prominent role it ascribes to regional policy. It notes that the UK is characterised by marked regional disparities. The White Paper commits the government to 'new approach to regional policy' (para 1.25). The aim of the new approach is to generate 'hubs of growth through more start-up companies and clusters of expertise and innovation' (para 1.26). This approach is adopted within context aimed at raising the rate of Research and Development (R&D) within the economy and improving the skill base. This broad approach is likely to have a large bearing on the activities of RDAs in the event of a Labour election victory.

The new approach to regional policy is said to be concerned with 'building the capability of regions and communities' (para 3.3):

Government must equip all regions and communities with the means to build on their own distinctive cultures, know-how and competitive advantages. This must be a bottom-up approach: the role of central Government must be to ensure that all regions and communities have the resources and capability to be winners. Strong regional policies have shown their worth in other European economies and in the USA.

Central to the new approach is the promotion of links between universities and business. The government proposes to support 'university innovation centres' to promote 'cluster development' in the regions. The government has already announced five new regionally based projects on these lines. These include:

- North East — nanotechnology
- North West — organic chemicals
- South West — communications, computing and content technologies
- West Midlands — business to business e-commerce
- Yorkshire — aerospace manufacturing

⁹ A synopsis of the study is available at:
<http://www.regeneration.detr.gov.uk/rs/03800/index.htm>.

This selection was determined in part by an analysis of the geographical distribution of industry clusters conducted for the DTI, which identified a number of actual and potential clusters in each English region (DTI (2001)).

The centrality of the regions to the approach of the DTI is now regularly mentioned in ministerial speeches. In a recent speech, Stephen Byers sought to link the goals of 'social justice and economic efficiency' and to place regional policy at the heart of this concern:

Nowhere is the link more clear than in our drive to improve the trend rate of growth in every region. To ensure that all our regions share in the nation's wealth and prosperity. To break down those barriers that deny opportunity and which have held back some of our regions for far too long. We do so out of a sense of social justice but also because our future economic success as a country depends on all parts and all people of the United Kingdom achieving their full potential. Different communities face different local problems. In a time of change, different communities will be affected in different ways. Some areas are more affected by industrial restructuring. In other areas the rapid growth of new business clusters can create different problems of space planning, housing and transport. No two places are the same. There is no single solution that can be applied across the United Kingdom. What we need therefore are policies which empower communities so they can determine their own future and co-ordinate action at the neighbourhood, local, regional and national level. It is a social imperative. But it is also an economic necessity. The creation of a privileged "winners circle" limited to certain people, geographical areas or sectors of the economy will hold back our economy. That is why we must drive forward a new regional policy. One which signals a significant break from the failed policies of the past. We can't go back to the centralised planning approach which ended up stifling growth in successful regions. Nor should we accept the approach of the last Government: *laissez faire* indifference, making regional problems worse through neglect. Instead, we must equip every community, every region to succeed in the world of change in which we live. Over the last four years we have made a start in giving the regions the tools they need to realise their full potential. We established regional development agencies. We're substantially increasing their funding. And we're giving them greater financial flexibility to tackle the priorities in their region. We now have an opportunity to build on these foundations. To help communities succeed and to widen the winners circle (Byers, 2001).

As we noted in our last report (February 2001) the importance of the regions in the recent pronouncements of DTI ministers has led to media

speculation that, in the event of a Labour victory, the RDAs will become a DTI responsibility in any post-election reorganisation (see section 6.3 below).

2.3 Regional Chambers/Assemblies

As part of their announcement on the new flexibility for RDAs, Messrs Brown and Prescott announced measures to improve the scrutiny of RDAs by regional chambers. This came in the form of financial support to improve their capacity. The new resources available to Regional Chambers and Assemblies are intended to help them to establish a substantially expanded scrutiny role within the regions and enhance their capacity to engage constructively with the RDAs as they progress towards their targets and delivery of their Regional Strategies. The Chambers role will to ensure that the RDAs' strategies and activities mesh in with the wider framework of strategies for the region.

From next year (2001/02) £5m a year will be available to the Chambers for this purpose. For the coming year, each Chamber will be invited to come up with proposals for drawing down up to half a million pounds to enhance its scrutiny role; a further £1m will be available for projects supported by the chambers collectively to support the expanded scrutiny regime¹⁰.

The DETR consultation document states:

The Government does not want to be prescriptive about how the chambers should exercise this expanded scrutiny role. Different regions have different needs, and the regional partners have established different relationships within different regions. Chambers will want to ensure that their expanded role in relation to the RDAs fits in with their own views on promoting the interests of the region as a whole.

But, by way of illustration, the way forward could involve the chambers establishing a stronger analytical or research capacity to monitor and evaluate the RDAs' plans in relation to the region's performance and to the wider strategic context within the region. In doing so they will, for example, need to lock into the work of the Regional Observatories and consider the links with the work on monitoring implementation of Regional Planning Guidance. It could also involve the chambers holding hearings at which the RDAs could formally explain and answer questions on their performance against their strategies and targets. In turn, the chambers will need to feed back their conclusions to the RDAs and to communicate developments to the wider regional community.

¹⁰ Details of the proposed funding scheme for the Chambers are set out in a consultation document (DETR, 2001).

The Government naturally expects that the RDAs will co-operate fully with the chambers in facilitating the chambers' expanded scrutiny role, for example in involving the chambers from the earliest stage as they develop strategies and proposals, in providing the chambers with advice and information, and in attending meetings, hearings and so on (DETR 2001 paras 4.3-4.5).

Strengthening of Chambers will represent a significant advance in regional institution building in several regions, although it is unlikely to dissipate the demand for elected regional assemblies in regions such as the North East.

2.3.1 *An eastern insurrection?*¹¹

According to the *Local Government Chronicle*, 'The East of England is not noted for its political turbulence' ('Opinion', 12th April 2001). The paper suggested therefore that, 'It comes as something of a surprise that the first insurrection against the government's fudged regional policy should emanate from the east'. The 'insurrection' came about when, on 5th April, Labour and Conservative members on the East of England Regional Assembly (EERA) refused to endorse a revision of the East of England Development Agency's (EEDA) regional economic strategy (RES). EEDA is the only RDA to undertake a major revision of its RES, but chose to do so in the light of new research and in light of the evolving institutional architecture in the region. Members of the Assembly were reportedly concerned about the environmental impact of its 3.2 per cent growth target, its alleged failure to take account of sub-regional differences and the arrangements for partnership working and a concern that questions of social inclusion had not been properly dealt with. EEDA had adopted its first version in October 1999, but agreed to revise it after EERA had voiced what its chair John Kent described as 'severe reservations'. Concerns raised by sub-regional partnerships prompted the assembly to reject the strategy. Mr Kent accused EEDA of 'ducking the difficult decisions' needed to stimulate development. Rejection of the revised RES came about because EERA had previously given only its qualified endorsement to the first version of Strategy.

EEDA reacted angrily. Its chief executive Bill Samuel said:

EERA's lack of endorsement is an indication that some members of the Regional Assembly, which has a majority of local authority councillors, are reluctant to commit to firm and positive action to move the region's economy forward.

If the region is to become a top 20 performing European region by 2010, there is some serious work to be done to achieve a growth rate of three per cent a year. Research

¹¹ This account draws on reports in the *Local Government Chronicle* (12th April 2001), *Regeneration and Renewal* (13th April 2001) and on an interview with Brian Stewart, Secretary of EERA, 10th May 2001.

commissioned by EEDA indicates that this growth can be achieved without having a detrimental affect on quality of life or the environment, however a serious commitment to improving business productivity and competitiveness is required.

EEDA has consulted in detail with the region's local economic partnerships, business leaders and other organisations over the past six months, to produce a regional economic strategy which accurately reflects the current economic picture of the region and which sets out a targeted plan to achieve significant and sustainable economic growth for the region. It is disappointing that, despite significant time and effort on EEDA's part, some Regional Assembly members still do not buy into EEDA's recommendations for creating more prosperity, better opportunities and an increased quality of life for all who live and work in the region.

The strategy is not just a guide for EEDA's activity - it is a framework for the success of the whole region.

It is vital that all partner organisations, businesses and individuals help contribute to its delivery, and we will be working with the Regional Assembly over the coming months to persuade its members that this revised economic strategy is the best way to move the region forward (EEDA, News Release, 5th April 2001).

It appears that EEDA officials and board members were prepared to push ahead with the strategy without the endorsement of EERA, but that ministers intervened to insist that the two bodies reach some kind of agreement. At the time of writing revisions were being made to the RES in an effort to make it more acceptable to EERA members. A meeting of EERA was scheduled for 25th May to reconsider the issue.

The events on the East of England represent the most public flexing of (admittedly) limited muscle by a regional chamber. Of course, as the *LGC* noted the assembly has no right of veto over the RES: EEDA is answerable to the Secretary of State. But many of the issues that surround the government's approach to the accountable governance of the English regions are highlighted in the 'eastern insurrection' and it may very well be, as the *LGC* put it, 'a very small-scale dress rehearsal for future battles'.

2.4 Regional Planning Guidance

The government's announcement concerning Regional Chambers (referred to earlier) made specific reference to them taking on further the role of regional planning bodies. In a written parliamentary answer the junior DETR minister Beverley Hughes provided information of the state of Regional Planning Guidance for the English regions.

Table 2.4: Regional Planning Guidance

| Reviews of regional planning guidance (RPG) Region | Draft RPG advice to Secretary of State | Public examination into RPG | Target for issue of revised RPG |
|--|--|-----------------------------|---------------------------------|
| Eastern (RPG6) ⁽¹⁾ | August 1998 ⁽²⁾ | February 1999 | November 2000 ⁽³⁾ |
| North East (RPG1) | December 1999 | June/July 2000 | Autumn 2001 |
| East Midlands (RPG8) | November 1999 | June 2000 | Summer 2001 |
| South East (RPG9) ⁽⁴⁾ | December 1998 | May 1999 | March 2001 ⁽³⁾ |
| South West (RPG10) | August 1999 | March/April 2000 | Summer 2001 |
| West Midlands (RPG11) | Autumn 2001 | Early 2002 | Winter 2002-03 |
| Yorkshire and the Humber (RPG12) | October 1999 | June/July 2000 | Summer 2001 |
| North West (RPG13) | June/July 2000 | February 2001 | End 2001 |

Source: *Hansard*, 10 May 2001: Col259W

⁽¹⁾ The entry against Eastern Region is for RPG6 covering East Anglia. Bedfordshire, Essex and Hertfordshire are covered by the review of the RPG for the greater South East region

⁽²⁾ Issued for consultation by GO

⁽³⁾ Issued

⁽⁴⁾ The review of RPG9 covers London, the Government Office area for the South East and Bedfordshire, Essex and Hertfordshire

Notes: 1. Last updated 9 May 2000

2. Instead of non-statutory Regional Planning Guidance in London there will be a statutory spatial development strategy (SDS) for London following the establishment of the GLA. Hence there is no separate entry for London. The draft SDS is due to be submitted to the Secretary of State in early summer 2001. The public examination is due in early 2002 and the aim is to publish the final SDS in autumn 2002

The case of the South East reveals some the difficulties of devolving power in this area. In the case of the South East region the government announced the effective imposition of regional planning guidance in the face of opposition from local authorities (see Tomaney and Hetherington, 2001, for an account of this dispute). The Planning Minister Nick Raynsford announced:

On 18th December last year we published draft revised Regional Planning Guidance for the South East. This put the urban renaissance and protection of the countryside at the

heart of the revised regional strategy. It put forward a housing strategy that took no more land than assumed by the regional planning body. We re-consulted on the proposed housing distribution and after careful consideration of all the representations we are today issuing Regional Planning Guidance for the South East (RPG9).

In the light of the divergent views expressed on the individual county figures and in the absence of any consistent regional rationale to justify a new distribution, the proposed distribution has not been changed. We acknowledge the concerns expressed during the public consultation but would emphasise that in line with our new 'plan, monitor and manage' approach, the scale and distribution of housing will be subject to review within the next five years in response to monitoring and other information. We do not believe in fixed twenty year housing targets (DETR *News Release 161*, 22 March 2001)

In the East Midlands, the preparation of Regional Planning Guidance proved less controversial with the East Midlands Regional Local Government Association being responsible for its production (DETR, *News Release 0156*, 21/03/2001)

Pressure to further strengthen the planning guidance is likely to grow and is discussed again in section 3.4 below.

2.5 Other bodies

2.5.1 Abolition of Regional Arts Boards

In an announcement in mid March the Arts Council effectively announced plans to abolish the 10 Regional Arts Boards (RABs) in England, by merging them with Arts Council of England (ACE). RABs currently make regional arts policy and dispense arts funding. ACE proposed to finalise its proposal by July 2001, giving the RABs six weeks to respond to the proposals. In the interim RABs were asked to sign over their assets and staff to ACE. According to press reports the proposals were presented the RABs only 24 hours before they were announced to the press, leading to accusations that ACE chairman Gerry Robinson had led a 'smash and grab raid' on the regions (Bunting, 2001).

ACE outlined the logic of the proposals thus:

The fundamental proposal is to create a single, new, authoritative arts development organisation for the arts in all of England, by uniting the eleven organisations, which currently make up the 'arts funding system' into a single, new Arts Council of England (ACE, 2001a: 2).

[...]

The new Arts Council of England's strengthened national capacity will allow it to make the big-picture case for the arts;

to respond to big ideas and instigate or support national initiatives wherever in the country they are located; and to provide leadership in the arts.

[...]

The essential difference is that national leadership is considerably strengthened and frontline responsibility for contact with the arts community and the development of new arts initiatives at regional level is placed with the regional offices. More will be managed and delivered regionally than is currently the case. But this will not be on a stand-alone basis. The regions will be part of the national picture and vice versa. The centre will have a direct on-going dialogue with the arts community and manage the overall budget strategy.

[...]

It will provide the arts with one voice. The new agency will be able to speak regionally, nationally and internationally. A single voice and a single brand — one that can still accommodate regional distinctiveness — will prove an immensely powerful new tool for the arts in this country. This is something that the arts support system has never before had. Its impact, in terms of advocacy and ‘making the case’ in the future, should not be underestimated. (ACE 2001a: 3).

The specific proposals for the regions are outlined separately (ACE 2001b). Under these proposals the current RAB Chairman and Board with reference to the RAB Chief Executive is invited to advise on the formation of a new *regional advisory body* for each regional office. According to ACE that body should provide high level strategic advice to the regional office Executive Director (equivalent to the RAB Chief Executive). Each new Arts Council regional office with an existing (or emergent) Regional Assembly or equivalent is invited to establish a formal relationship through which the Regional Assembly or its equivalent advises the regional office on a regular basis. With regard to each RAB which currently receives local authority subscriptions — that is, all except London — the regional office is invited to establish a *Local Partnership Fund* by inviting the local authorities to transfer their current RAB subscriptions to that Fund on condition that the new Arts Council makes a significant complementary contribution. Local partnership activities will be overseen by a group representative of local government in the region, perhaps derived from the regional Local Authority Forum where such a forum exists. Currently, Local Authority subscriptions to all RABs total £3.6m annually.

In an additional document entitled '*How Will it Work?*', ACE asks, how will decisions be taken regionally if there is not a regional board? It answers its own question:

In reality, Boards already delegate most decisions to officers. The regional office Executive Director (equivalent of the current RAB Chief Executive) and his/her team will be

responsible for taking decisions delegated to them by Council and the new Executive Team. A decision-making framework for the centre and for each regional office will be agreed.

In its initial announcement the Arts Council suggested that its proposal commanded wide support in the regions (Arts Council of England, *News Release*, 15th March 2001). It rapidly emerged that this was far from the case. Among the first to condemn the proposal were the London Mayor, Ken Livingstone and Trevor Phillips, the chair of the London Assembly. Their sharp criticism was echoed throughout the regions in the following days:

'We have serious concerns and reservations about what is proposed by the Arts Council. It will take power away from London and the people of London and leave funding decisions for London's artists and arts organisations in the hands of an unaccountable national quango. London's arts and artists deserve better than this. If the Arts Council really believes in decentralisation - as its paperwork suggests - then surely the best approach would be to hand over responsibility for funding the arts in London to the Greater London Authority. We have today written to Chris Smith and to Gerry Robinson inviting them to work in partnership with the GLA in safeguarding and supporting the future of the arts in London' (GLA, *News Release*, 20001/104, 15th March).

These kinds of criticisms also emerged within the English regions notably from board members of Northern Arts in Newcastle (see 'Board champions our arts funds in the North', *The Journal*, 31st March 2001; 'Northern Arts to fight reform plans', *The Journal*, 7th April 2001). The depth of resistance to the proposal became clear when six weeks after the announcement none of the RABs had signed over their assets to ACE. Among the reasons for this according to Stephen Phillips of the South West Regional Arts Board, was that:

The arts council forwards government money to the boards, but has no legal jurisdiction over them. Board members are trustees of independent charities and we can only act in the best interests of our charitable aims. It is unlikely many will find abolishing the only regional voice for the arts consonant with those responsibilities. Gerry [Robinson] needs to withdraw his diktat and then we can all sit down and work out how to cut bureaucracy in the arts (*The Guardian*, 3rd May 2001).

The ACE proposals were condemned in a debate in Westminster Hall initiated by Robert MacLennan, MP. According to Mr MacLennan:

...the Arts Council's unilateral attempt to remove local accountability from the arts funding system ... It is an audacious and misguided attempt to centralise in an age when other organisations are moving towards devolution and

localised decision making' (*Hansard*, 2nd May 2001; Col 225WH)¹²

Responding to the debate the Arts Minister Alan Howarth welcome ACE's efforts to reduce costs and streamline its organisation. However, he conceded:

Perhaps the most difficult set of issues are those in connection with regionalisation and relations with other regional structures and local government. The Arts Council recognises the strength of feeling on that point and the importance of it. Solutions must be found that genuinely commands wide assent in the regions (*Hansard*, 2nd May 2001, Col248WH).

Recent pronouncements from ministers and ACE officials suggest that they have been taken aback by the ferocity of regional resistance to their plans. It is certain that final chapter of this story has not yet been written.

2.5.2 *Abolition of regional health authorities*

The Health Secretary Alan Milburn announced the launch of a new Modernisation Agency for the NHS. Part of the announcement signalled the government's intention to undertake major structural changes, which will mean that within three years, two-thirds of the current 95 health authorities have merged. The existing responsibilities of health authorities for identifying and commissioning health services will be taken over by primary health care trusts. The proposed new health authorities will provide the bridge between the Department of Health and local NHS services, brokering solution to local problems, holding health services to account and encouraging greater autonomy for NHS Trusts. The proposals mean the end of the regional health authorities as currently constituted (Department of Health, *News Release*, 25th April 2001).

In a speech accompanying the announcement Mr Milburn said:

Following the establishment of the new health authorities, there will be a Regional Director for Health and Social Care with a small core group of staff — part of the Department of Health — there not to second guess local health services but to help oversee their development. The areas covered by these regional directors may be larger than at present. Otherwise the NHS Executive and, over time, the Regional Offices will disappear.

Their residual functions — for example over public health — will be overseen by the Regional Director, accountable to the Department of Health but co-located with Government

¹² Contained within Mr MacLennan's speech were a number of quotes from leading ministers including the Culture Secretary Chris Smith calling for a greater role for regional arts boards in arts funding, which appeared to be odds with the thrust of the ACE announcement.

Offices of the Regions, to encourage more joint working between health, transport, regeneration and the environment. In this way if new regional government structures emerge there will be a ready-made relationship with the NHS.

The new strategic health authorities will be the bridge between the Department of Health and local NHS services. They will have an absolutely crucial role to play in brokering solutions to local problems, holding local health services to account and encouraging greater autonomy for NHS Trusts and PCTs (Milburn, 2001, see also *Financial Times*, 26th April 2001, Wise, 2001).

According to one commentary 'the directors will be the DoH's emissaries for emerging regional assemblies and be on hand to negotiate any further transfer of NHS power to regional governments' (*The Guardian*, 25th April, 2001)¹³. The *British Medical Journal* reacted coolly to the proposals. An editorial described Mr Milburn as 'the most centralising secretary of state for health in the history of the British National Health Service', and adopted a 'we'll believe when we see it approach'.

But it is far from clear from Mr Milburn's pronouncement how much discretion trusts and others will have to diverge from national norms or to experiment. Freedom for them will lie in the knowledge of necessity: if they deliver the government's goals, they will be allowed a degree of (unspecified) discretion. Clearly therefore there is a need for much more debate about what are, or are not, acceptable variations, as well as for a cull of the ever proliferating range of targets and goals set by the government (Klein, 2001: 1078-79).

3 Regional politics and policies

In the three months to May 2001 a number of policy statements and analyses were published which probably signal the direction of developments in the aftermath of a Labour victory in the General Election. These include recent reports from Parliamentary Select Committees and Peter Mandelson's speech mentioned earlier. Meanwhile, developments are increasing in the regions, with the Campaign for the English Regions announcing a 'Regional Democracy Day' for May 19th.

3.1 Public Administration Committee

The House of Commons Public Administration Committee published two reports in the three months to May 2001 that dealt in part with questions

¹³ For a discussion of some of the issues surrounding health policy and regional government see Ross and Tomaney (2001)

of English regional government. In its Seventh Report the Committee was concerned with reviewing the issues arising from the Government's White Paper *Modernising Government*, published in 1999. In particular, the Committee is concerned with question of 'joined-up government' and the obstacles to its achievement. Drawing on the work of the Performance and Innovation Unit¹⁴, the Committee noted both the difficulties of 'joining-up government' given the Whitehall culture:

Government in Britain is distinguished by a culture of administrative centralism, which — along with departmentalism — presents a key challenge to any sustained attempt to make the machinery of government work better. Programmes driven top-down from the centre often seem to offer the opportunity for speedy delivery, and hence fit with the imperatives for individual Ministers to be seen to make a difference to policy-making in relatively short time periods. But this approach can be at the expense of building up the local strategic capacity that will be required for durable results, and where new top-down programmes are initiated in rapid succession, and without much genuine evaluation of what is working and what is not, the results can be actively inimical to the sustained development of good public service delivery on the ground. It is essential that there is local ownership of programmes, including shared ownership of the performance measures that are used to evaluate them. There is also the danger that a top-down and centrally-driven approach will worsen the already considerable problems of co-ordination at local and regional level, a possibility clearly identified in the PIU report 'Reaching Out'. We welcome the establishment of the Regional Co-ordination Unit in the Cabinet Office in response to this report and we will be monitoring the extent to which it succeeds in resolving some of these difficulties, and we will be monitoring the extent to which it succeeds. The regional Government Offices have a crucial role to play here also. However, their role will only become more effective when they represent the whole range of Government departments, instead of less than a handful as at present. It is essential that joining-up at the centre is matched by equivalent joining-up as initiatives progress through the system (para 10).

The Committee went further and suggested that regional government may form part of the solution to the problem it identified:

The issue of maintaining and enhancing a local strategic capacity for the whole governmental machine to act effectively is the crucial one. On our visit to north east England many of those we talked to told of the pressure put

¹⁴ For background and analysis on the work of the PIU in this field see Tomaney (2000). See also: Marquand and Tomaney (2001).

on local resources both by the constant need to bid and rebid for central funds and the requirement to comply with a plethora of inspection regimes and externally-imposed targets. We heard complaints about the lack of trust this implies. The problems of excessive centralism have to be broken, both for democratic and delivery reasons. They have started to be broken in Scotland, Wales and London, and this process now needs to be extended in England. *The twin imperatives of performance and accountability seem to us to point inexorably towards a system of elected regional government combined with unitary local authorities. We hope that the Government will give serious consideration to how it can speedily move this process forward.* There is also the issue of complexity: in a world of partnerships, zones and area-based initiatives, there can be a real problem for accountability if citizens do not know who is responsible for the programmes that impact upon them. We believe that this is an issue that requires more consideration than it has so far received (para 11, emphasis added).

In its Fifth Report the Public Administration Committee was concerned with 'mapping the quango state', as part of its concern to address questions of accountability and openness in government. In its work the Committee noted a tier of 'regional' quangos, which go 'unchecked' (paras 21-22). Again the Committee identified elected regional government as a possible solution to these issues:

There is no formal "map" of the disposition of NDPBs, ASPBs and quangos at sub-national and regional level throughout the UK. Table 5 summarises the position so far as we are able to ascertain it. The advent of devolved institutions in Scotland, Wales and Northern Ireland increases the probability of democratic oversight of quangos in these areas, but the position in England is less satisfactory. Regional development agencies are increasingly taking on a wider range of responsibilities in liaison with regional government offices. In their regions these appointed bodies are subject to check only by the indirectly elected regional chambers, which are too large, unwieldy and under-resourced to fulfil an oversight role. The Housing Corporation devolves much of its activity to regional offices, but they too are unchecked at regional level. Other major regional policy matters, such as public transport, have no representative regional input; others, such as land-use planning, involve weak and divided consortia of local authorities. *These considerations strengthen the case for reassessing the need for elected regional bodies in the English regions, as counterparts to the devolved assemblies in Scotland, Wales and Northern Ireland, and to provide a unifying representative role* (para 22, emphasis added).

The reports, which represent a coherent and clearly argued critique of the New Labour approach to government were published to little fanfare and scarcely any media attention¹⁵.

3.2 Peter Mandelson speech

We noted earlier the speech made Peter Mandelson making the case for a North East Assembly. The speech generated a large amount of attention in the broadsheet press and led the news in the North East. However, much of the press coverage surrounding the speech gave only a sketchy account its content, preferring instead to focus on the messenger rather than the message¹⁶. Mr Mandelson's speech though represents a carefully argued and well researched 'New Labour' case for regional government and as such it repays close reading, as being possibly indicative of the type of arguments that might be rehearsed following a Labour election victory.

I am convinced that our region must grasp the unique opportunity opened up by New Labour's commitment to constitutional reform and modernisation. If that requires a referendum to establish a regional authority with a democratically elected element for the North East, then I would support this test of public opinion.

For me this is something of a conversion. I am a committed supporter of political devolution, and I believe that the programme of constitutional reform implemented by the Labour Government since 1997 is one of our finest achievements.

Yet I have always been cautious about regional government. It is not a panacea for the social, economic and political problems this region inherited from 18 years of Conservative government.

[...]

¹⁵ An exception to media disinterest is Timmins (2001). Timmins argues that New Labour having promised to 'cull' the quangos has not done so in practice. Echoing the Select Committee he asks: What might change this?

The answer may lie with the government's renewed interest in directly elected regional government. Devolution has increased the opportunity for the monitoring and oversight of quangos in Scotland and Wales, the Commons committee notes, even if the national assemblies have not taken over these services and roles. Regional authorities would have more clout than fragmented local government to demand openness and public consultation from quangos, and possibly therefore more clout to make sure they work better together. And they would have a vested interest in seeing what centrally appointed bodies were up to locally and regionally. Regional government in England may, of course, not happen. But one argument in its favour is that while the quango state will never be abolished, English devolution could help bring it under control.

¹⁶ An example: 'Mandelson breaks ranks with Blair', *The Times*, March 31st 2001.

... we cannot achieve economic revitalisation in the North East without modernising the means of delivering our economic policies, and this means renewing the region's political institutions.

[...]

Top-down departmental initiatives and an appointed regional developmental agency, which is just one actor on the regional scene, will not, on their own, enable us to grasp fully the potential afforded by the burgeoning knowledge economy of the future.

[...]

So, in sum, modern regional policy requires a stronger sense of vision, a clear regional enterprise strategy, a thoroughly joined up approach to delivery between business and politics, and public investment in the regional infrastructure on a substantial scale.

The first step is to introduce a democratically elected element into the existing regional chamber by establishing a regional authority for the North East that is tight in numbers and focus. The elected element would need to be based on proportional representation drawing together all the political parties and areas of the region. PR would remove the danger of abuse by a majority or the dominance of one locality over the rest, something that concerns us in the south of the North East region.

The authority should in turn appoint half its members from representatives of the key players in the region from manufacturers, hi-tech and new technology industries, trade unions, educationalists, bankers and venture capitalists. This would ensure that the work of the authority incorporates the needs and views of corporate interests in the region.

The regional authority might also nominate a small regional executive and First Minister who have the support of both elected and non-elected representatives. Again, there is a need to ensure that certain interests do not dominate at the expense of others, so the executive must be pluralistic and draw its members from all sections of the community.

The speech is not without its ambiguities and internal contradictions. For instance, while presenting itself (and being interpreted as) a call for elected regional government, in fact the speech sketches a model of partially-elected government. Nor are any details given as to how such a model would work in practice. However given the enduring proximity of Mr Mandelson to the mindset of No 10, Downing Street, it is likely that these ideas will be taken seriously in the coming debate surrounding the government's anticipated Green Paper.

3.3 CPRE report on planning guidance

The Council for the Protection of Rural England published a report calling for the planning guidance system to be strengthened. Entitled *Planning for a Regional Renaissance*, the report reviews the regional planning experience since 1997 and identifies a series of flaws, including:

- the lack of an environmental bottom-line beyond which development will not be permitted;
- a lack of teeth to steer economic activity towards run-down areas and conflicts with Regional Development Agency strategies;
- the absence of any minimum requirements for public consultation, and weak participation;
- shoestring budgets and lack of staff;
- conflicts with locally agreed approaches to house-building numbers at a county level; and
- the lack of a national overview on how different regional plans should work together.

The report makes a range of recommendations, including:

- putting Regional Planning Guidance (RPG) on a strong legal footing and providing full-time staff and extra resources;
- guaranteeing the rights of the public to have their say;
- setting clear environmental targets for protecting the rural landscape and tranquillity;
- supporting the testing of regional house-building numbers at a county level;
- establishing a national framework for RPG so that development takes place in the best interests of the country as a whole and of the countryside.

Oddly, given the growing debate around the subject, the report makes no reference to the role of possible elected regional assemblies on relation to regional planning.

3.4 On the campaign front

The pace of development of English regionalist movements continues to grow with the activities of the Campaign for the English Regions at their heart.

As part of its first year celebration the CFER published a statement on regional government signed by over 81 MPs and 14 MEPs. These include the MAFF Minister Joyce Quin, and notable former Ministers including David Clarke, Tony Lloyd, Derek Foster, Jon Owen Jones and Ron Davies. It also includes Simon Murphy, leader of Labour's MEPs, and Graham Watson leader of the Lib Dem MEPs. This level of support is probably indicative the expectations growing on Labour's backbenches that Labour will act early on regional assemblies should it secure an election victory.

Senior Labour backbenchers were also signatories. 7 Labour Chairs of House of Commons Select Committees signed the statement: Giles Radice (Treasury), Dr Tony Wright (Public Administration), Derek Foster (Employment), Andrew Bennett (Environment), Robin Corbett (Home Affairs) Martin O'Neill (Trade and Industry) and Martyn Jones (Welsh Affairs).

Beyond politics, the signatories included four bishops have leant their support: the Bishop of Durham, the Bishop of Birmingham, the Bishop of Exeter and the Bishop of Ludlow. Notable public figures that signed include playwright Alan Plater, actor Tony Robinson and television presenter Terry Christian. The North East Regional Assembly signed up as an organisation. The Chair of the North East Regional Assembly Cllr Mike Davey and the Chair of the South West Regional Assembly Chester Long also signed in a personal capacity. A number of council leaders also added their support: Phil Davies (Telford and the Wrekin), David Walsh (Redcar and Cleveland), John West (Lancashire), Fred Ridley (Stockport), Mike Storey (Liverpool), Kevin Stephen (Gloucester), Dennis Heptonstall (East Staffs)¹⁷.

The CFER held a 'Regional Democracy Day' on May 19th, with a variety of activities around different regions. The focus of the day was the launch of a report on the 'regional quango state', drawing on the work of the House of Commons Select Committee on Public Administration (see section 3.2).

The level of campaigning continues to grow, albeit from a low base in a number of regions. Within the West Midlands preparations continue for the launch of a Constitutional Convention. A preparatory seminar is planned for June. The preparations have not been uncontroversial. The

¹⁷ Among the Parliamentary signatories were:

MPs: Barbara Follett MP, Dr Ian Gibson MP, Rt Hon Alan Beith MP, John Cummings MP, Fraser Kemp MP, Jim Cousins MP, Rt Hon Dr David Clark MP, Rt Hon Joyce Quin MP, Frank Cook MP, Ronnie Campbell MP, Giles Radice MP, Ashok Kumar MP, Denis Murphy MP, Dari Taylor MP, John McWilliam MP, Bill Etherington MP, Stephen Hesford MP, Robert N Wareing MP, Neil Turner MP, Tony Lloyd MP, Hilton Dawson MP, Louise Ellman MP, Andrew Stunell MP, Dr Brian Iddon MP, Hazel Blears MP, Gordon Marsden MP, David Chaytor MP, Andrew Bennett MP, David Borrow MP, Ian Stewart MP, Rt Hon Derek Foster MP, Gwyn Prosser MP, Dr Phyllis Starkey MP, Dr Stephen J Ladyman MP, Brian Cotter MP, Nick Harvey MP, Valerie Davey MP, Roger Berry MP, Nigel Jones MP, Colin Breed MP, Don Foster MP, David Drew MP, Diana Organ MP, Ben Bradshaw MP, Dr Doug Naysmith MP, Candy Atherton MP, Jackie Ballard MP, Bob Laxton MP, Terry Davis MP, Lynne Jones MP, Bill Olnier MP, Dennis Turner MP, Dr Tony Wright MP, Robin Corbett MP, Paul Marsden MP, Peter Temple-Morris MP, Richard Burden MP, Paul Keetch MP, Paul Flynn MP, Jackie Lawrence MP, Jon Owen Jones MP, Dr Alan Williams MP, Ron Davies MP, Martyn Jones MP, Betty Williams MP, Kevin McNamara MP, Denis MacShane MP, Michael Clapham MP, Rosie Winterton MP, Austin Mitchell MP, John Gunnell MP, Lawrie Quinn MP, John McDonnell MP, Tom Brake MP, Rt Hon Robert Maclellan MP, Rosemary McKenna MP, John McAllion MP MSP, Maria Fyfe MP, Calum MacDonald MP, Martin O'Neill MP

Bishop of Birmingham the Rt. Rev. Mark Santer was attacked by Conservatives in the region for becoming involved (*The Times*, 13th 2001).

After a series of planning meeting the first meeting of the South West Constitutional Convention will be held on Saturday 19th May at Exeter University. The Convention is expected bring together people from throughout the South West, including representatives from the regions' main political parties, economic and social partners, churches and faith communities. Chaired by the Bishop of Exeter the Convention will examine the case for the devolution of power to a South West Assembly.

In Yorkshire a series of street-based events are planned by the Campaign for Yorkshire in the region in the major cities Hull, Sheffield and Leeds, following a similar event in York. A meeting of the Yorkshire Constitutional Convention is planned for 7th July in Wakefield.

Initial moves are afoot to launch a cross-party campaign for an elected regional assembly for the North West. The campaign is to take on a more explicit advocacy role than the current North West Constitutional Convention, chaired by the Bishop of Liverpool.

A high level of activity was maintained by the Campaign for a North-East Assembly in the three months to May 2001. These involved a series of street activities in various towns and cities around the region, involving up to 100 activists. In association with a regional newspaper, it has launched a competition to produce a regional flag. Apparently, the front-runner is the first known flag in England, the banner of St.Oswald, which was adopted by the ancient kingdom of Northumbria.

4 Media

The level of media attention surrounding the governance of the English regions rose significantly in the first half of 2001. In particular, coverage of the 'English Question' has now become a regular feature in the broadsheet press. For instance the *Financial Times* ran a week long series of articles about the issues surrounding English regional government (17th 21st April). Much of the national coverage has focused on the impact of the Barnett formula on England in general and its regions in particular, (notably in the form of editorials in the *FT* and *The Guardian*). *Times* columnists such as Peter Riddell and William Rees Mogg have also turned their attention to the 'English Question'. Coverage of the issue of English regionalism, however, is still given only marginal coverage, albeit this coverage appears to be growing.

The interest of the regional media — outside of the North East, where coverage is extensive — in questions of regional government is also start to grow from a low base. For instance, the CFER's St George's Day activities were covered on a dozen BBC local radio stations, mainly in southern England. Papers such as the *Birmingham Post* have started to cover the issue, although in a generally hostile way. By contrast, papers

such as the *Yorkshire Post*, previously hostile, have given a more sympathetic treatment to the issue recently¹⁸.

5 Public attitudes and identity

There have been no relevant polls published in the last quarter.

6 Relations with Whitehall and Westminster

6.1 Standing Committee on Regional Affairs

After long anticipation (see previous Monitoring Reports) the Standing Committee on Regional Affairs finally met for the first time on Thursday 10th May (albeit on Parliament's last full day before the election). The membership of the Committee had been announced previously (see below). According to the DETR Minister Beverley Hughes, it was Conservative opposition that prevented the Committee meeting sooner.

Table 6.1 Membership of the Standing Committee:

| |
|---|
| <p><u>Chairman:</u> Mr. John McWilliam (<i>Blaydon</i>)</p> <p>Ashton, Mr. Joe (<i>Bassetlaw</i>)</p> <p>Atherton, Ms Candy (<i>Falmouth and Camborne</i>)</p> <p>Buck, Ms Karen (<i>Regent's Park and Kensington, North</i>)</p> <p>Chidgey, Mr. David (<i>Eastleigh</i>)</p> <p>Ellman, Mrs. Louise (<i>Liverpool, Riverside</i>)</p> <p>Evans, Mr. Nigel (<i>Ribble Valley</i>)</p> <p>Fraser, Mr. Christopher (<i>Mid-Dorset and North Poole</i>)</p> <p>George, Mr. Andrew (<i>St. Ives</i>)</p> <p>Murphy, Mr. Denis (<i>Wansbeck</i>)</p> <p>Pearson, Mr. Ian (<i>Dudley, South</i>)</p> <p>Quinn, Mr. Lawrie (<i>Scarborough and Whitby</i>)</p> <p>Steen, Mr. Anthony (<i>Totnes</i>)</p> <p>Wyatt, Mr. Derek (<i>Sittingbourne and Sheppey</i>)</p> <p>Mr. C. J. Poyser, <i>Committee Clerk</i></p> |
|---|

The Committee's first debate concerned 'Regional Economic Performance and Imbalances'. The Committee received a report from the junior DETR minister Beverley Hughes outlining the government's approach to these matters. Many of the issues that have surrounded the English regions

¹⁸ A longer account regionalism in the West Midlands will appear in a future Monitoring report.

were given an airing by English MPs. In particular, Northern MPs used the committee to air their grievances surrounding the operation of the Barnett Formula and to raise the issue of devolution. Only one Tory (Anthony Steen) attended the debate and he began by announcing his intention to leave early. But perhaps the most significant issue to emerge from the debate was the minister's answer to a question from Louise Ellman, MP, regarding Labour's plans for regional assemblies:

On regional government, I can tell my hon. Friend that, as she will be aware, the Deputy Prime Minister has reaffirmed our position. I cannot pre-empt our manifesto, which I understand will be published next week, but I am fully aware that the national policy forum document endorses our position, which is that, as soon as is practicable, we shall move to directly elected regional government, when and where there is a clear demand for it.

Our policy document suggested requesting regional chambers to develop proposals in their respective regions — those proposals might be different — and publishing a Green or White Paper on regional government, which would set out how we propose to take the matter forward. That remains our position (*Hansard*, 10th May 2001).

According to the *FT*, the minister's statement 'was certain to have been cleared by John Prescott' and represented 'the clearest signal yet' that the government would move on elected assemblies. Moreover, the calling of the committee represented growing ministerial enthusiasm for regionalism ('Labour signals rapid regional referendums', *Financial Times*, 11th May 2001). Certainly such statements were contributing to a rising sense of expectation among the pro-devolution lobby in the northern regions.

6.2 House of Lords debate

On the 21st March the Bishop of Durham, the Rt. Rev. Michael Turnbull introduced a debate 'the case for devolution to the English regions' (*Lords Hansard*, 21st March, col. 1427), which threw up many of the issues surrounding the regional question. The bishop argued:

While I applaud the work of the regional development agencies, not least in the North East, they work under considerable frustration because of fragmented funding streams from the Government and the fact that they have been tied to national programmes. All that has hampered the development of regional strategies. The Government have responded to those criticisms to some extent, but there are still many areas where overlap and confusion are the order of the day. The regional economic strategies are poorly integrated with the regional planning guidance. Furthermore, regional cultural strategies, the regional transport strategy and the sustainability frameworks all ought to be addressed in an

integrated and joined-up manner. In other words, while regional government offices and RDAs have been a genuine step towards a regional approach, they do not provide the overall cohesion that is needed. Nor do they fill the democratic deficit and give the people of the region the responsibility for devising and fulfilling the overall strategy that affects them. The present arrangements also make sustainable development in the regions very difficult. In order to look long term at the future of a region it is necessary to bring together environmental, economic, social and cultural concerns (*Lords Hansard* 21st March 2001: Cols1448-29)

Lord Waddington for the Conservatives rejected the case for regional government, citing a source in No 10 Downing Street, who had said 'we need regional government like a hole in the head':

No. 10 was right: we need more government like a hole in the head. The last thing that we want is more bodies trying to justify their own inflated allowances. And mark my words: elected regional assemblies will start as costly talking shops, monitoring the work of the RDAs and pontificating about planning and transport. However, in no time at all, they will demand, as indeed some chambers have done already, a wider role involving the whole economic, social and environmental well-being of the region. In short, they will be costly millstones round the necks of the people (*Lords Hansard*, 21st March 2001: Col 1431)

Baroness Hamwee a member of the London Assembly supported the bishop but argued:

People have said to me, "We want regional government like London". They should not want regional government quite like London. I do not commend the model of a single-person executive, but I do commend the sphere of government which deals with strategic matters and which can consider issues on a cohesive, integrated basis.

[...]

I also believe — and this is an issue that we have previously encountered in London — that regional government should have the right directly to question government Ministers. I know that that is a sensitive issue. However, I believe that, if we are truly to appreciate regional issues, the relationship between central government and regional government could well be reflected by that direct and public debate. I must make it clear that we on these [Liberal Democrat] Benches do not regard that as taking power from local government, which we support and will continue to support, but of bringing it down from central government and its army of quangos (*Lords Hansard*, 21st March Col. 1433)

The Liberal Democrat Lord Newby painted a picture of a rising tide of regionalism:

While all that has been happening, there has been a great bubbling up of interest in and activity on the question of regional government in the regions themselves. The Campaign for the English Regions now has representatives from most of the regions, and the Campaign for the North-Eastern Assembly and the North East Constitutional Convention, in which the right reverend Prelate the Bishop of Durham has played such a major part, have developed a very substantial and workable scheme for devolution to the North East (*Lords Hansard*, 21st March Col. 1437).

He continued:

I am not looking for something that will be described as a new tier of local government. I am looking for something which is clearly fully-fledged regional government which is more akin to the Welsh Assembly than a glorified county council (*ibid*).

Baroness Rendell of Babergh made the case for a Cornish Assembly, while Lord Smith of Clifton felt 'a doctoral thesis topic coming on; namely, the role of the Anglican Church in pioneering devolution' (*Lords Hansard*, 21st March Col. 1443).

Lord Hanningfield, the leader of Essex County Council introduced a southern perspective:

Whenever I hear people speak in favour of regionalism usually they come from the North East or North West. I do not hear many people in the South East, East or even the South West talking about regional government. Each of the great counties of Essex, Hampshire, Hertfordshire and Kent, comprise over 1 million people. Why can they not be the regions of the United Kingdom? Why can we not just develop our county councils in a way that gives them more power devolved from national government, as was historically the case in the United Kingdom? Why do we need to keep re-inventing something that may not necessarily be satisfactory? (*Lords Hansard*, 21st March Col. 1446).

Lord Whitty replied for the government mainly reiterating some well-worn lines:

[...] the Deputy Prime Minister made clear in Glasgow recently, we are committed to bringing forward the opportunity for English regions directly to elect their regional governments. At that point, the responsibility for various aspects of economic, strategic and planning policies would fall to those regions. We would hope that all the English regions would eventually take up that option. However, the decision will be theirs and it will be facilitated by this Government. We intend within the next few months to bring

forward a Green Paper on these issues: the scope, structure and nature of devolution; and the nature of the electoral process for the English regions (*Lords Hansard*, 21st March Col. 1466).

6.3 The future of DETR

The pre-election period saw much media speculation on both the future roles of the Deputy Prime Minister and his Department of the Environment, Transport and the Regions. We noted in previous reports the possibility that DTI could become the sponsoring department for RDAs. Critics have maintained that DETR is too large and unwieldy and that transport, especially should have its own department (see for instance, 'Possible departure of Prescott could lead to downsizing of 'superdepartment' DETR', *Regeneration and Renewal*, 20th April 2001). The DPM's own post-election position has been speculated upon intensively. For instance, according to 'well-informed' Trevor Kavanagh, John Prescott, 63, will be pensioned off to the Cabinet Office' (*The Sun* 30th April 2001). As well media speculation, Whitehall was also rife with rumours prior to the election, with the proposal that John Prescott would take responsibility for English regional government with him to the Cabinet Office in the event of a Labour victory, showing the shortest odds.

7 EU issues

Nothing to report

8 Local government

Camden, Coventry and Newham have become the latest councils to sign up to pilot local PSAs. Local PSAs are a package of performance targets, easing of red tape, and financial incentives to help councils deliver measurable improvements in services over the next three years. The government will give councils up to £1m in advance to help meet their targets, and, if successful, councils will also receive an additional cash boost. The 20 local authorities piloting the scheme are: Birmingham, Blackburn with Darwen, Cambridgeshire, Camden, Coventry, Derbyshire, Kent, Lewisham, Norfolk, Middlesbrough, Milton Keynes, Newcastle upon Tyne, Newham, Richmond-upon-Thames, Sheffield, Stockton-on-Tees, Sunderland, Surrey, Tameside and Warwickshire (*DETR News Release 244*:1st May 2001)

9 Finance

The territorial distribution of public expenditure and its impact on the English regions is an issue of growing media and political attention. The Treasury published a breakdown of regional spending in Chapter 8 of its *Public Expenditure Statistical Analyses* ('Analysis of Public Expenditure by Country and Region'). An analysis of spending by English regions was undertaken during the winter of 2000. The exercise covered the years 1998-99 and 1999-00, where previous exercises have focused on a single year only. The regional analysis exercise further apportioned the England total between the composite regions. The analysis presented identifiable total managed expenditure for the years 1998-99 and 1999-00, including spending per head data. Previous years exercises have identified separately an amount of expenditure that is unallocated between regions — that is expenditure identified from the country analysis as being incurred for the benefit of the English population but not further allocated to a specific region. The latest analysis, however, was widened to ensure all identifiable England expenditure could be allocated to a region, thereby negating the need for an unallocated column. The main benefit of this approach is to allow comparisons between expenditure per head in the regions of England and that in the countries of the UK. Taken together these improvements represent a significant step forward in the availability of statistical data for the English regions. Tables 9.3 and 9.4 present identifiable total managed expenditure for the years 1998-99 and 1999-00, including spending per head data.

The Campaign for the English Regions published its own analysis of the figures from which the tables below are drawn, which show the broad disparities between regions and their historical evolution.

Table 9.3 Identified Spending by region/country

| Govt Office Region/Country | Identified Spending 1999-2000 | |
|----------------------------|----------------------------------|-------------------|
| | £ per resident | Index UK = 100 |
| North East | 4,837 | 109 |
| North West | 4,628 | 104 |
| orks. & Humber | 4,224 | 95 |
| East Midlands | 4,023 | 90 |
| West Midlands | 4,203 | 94 |
| South West | 4,075 | 92 |
| Eastern | 3,917 | 88 |
| London | 5,035 | 113 |
| South East | 3,734 | 84 |
| England | 4,283 | 96 |
| Scotland | 5,271 | 118 |
| Wales | 5,052 | 113 |
| N Ireland | 5,939 | 133 |
| United Kingdom | 4,453 | 100 |

Source: Treasury figures analysed by Campaign for the English Regions. See HM Treasury (2001)

Table 9.1 Identifiable general government expenditure, by region and function, 1999-2000

| | Allocation of expenditure by region | | | | | | | | | Cash £ million |
|---|-------------------------------------|---------------|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | North East | North West | Yorkshire and Humberside | East Midlands | West Midlands | South West | Eastern | London | South East | Total England |
| Education | 1,771 | 4,754 | 3,328 | 2,662 | 3,686 | 3,094 | 3,552 | 5,369 | 4,550 | 32,766 |
| Health and personal social services | 2,814 | 7,396 | 5,303 | 3,961 | 5,280 | 4,826 | 5,371 | 9,475 | 7,381 | 51,806 |
| Roads and transport | 344 | 921 | 515 | 489 | 657 | 600 | 708 | 1,223 | 1,169 | 6,627 |
| Housing | 75 | 313 | 183 | 76 | 102 | 90 | 10 | 1,130 | 104 | 2,084 |
| Other environmental services | 434 | 1,054 | 329 | 545 | 711 | 563 | 593 | 1,325 | 1,092 | 6,646 |
| Law, order and protective services | 844 | 2,192 | 1,478 | 1,181 | 1,484 | 1,320 | 1,277 | 3,305 | 2,113 | 15,196 |
| Trade, industry, energy | 308 | 745 | 528 | 461 | 558 | 493 | 535 | 786 | 702 | 5,115 |
| Agriculture, fisheries, food and forestry | 145 | 379 | 280 | 230 | 278 | 276 | 299 | 396 | 447 | 2,730 |
| Culture, Media and Sport | 327 | 538 | 390 | 300 | 391 | 367 | 364 | 1,141 | 549 | 4,366 |
| Social security | 5,303 | 13,261 | 8,796 | 6,790 | 9,067 | 8,291 | 8,297 | 12,152 | 11,733 | 83,691 |
| Central administration and miscellaneous | 120 | 284 | 186 | 165 | 214 | 194 | 219 | 382 | 324 | 2,090 |
| Total | 12,485 | 31,840 | 21,317 | 16,861 | 22,428 | 20,113 | 21,226 | 36,683 | 30,163 | 213,116 |

Table 9.2 Identifiable general government expenditure per head, by region and function, 1999-2000

| | Allocation of expenditure by region | | | | | | | | | Cash £ million |
|---|-------------------------------------|--------------|--------------------------|---------------|---------------|--------------|--------------|--------------|--------------|----------------|
| | North East | North West | Yorkshire and Humberside | East Midlands | West Midlands | South West | Eastern | London | South East | Total England |
| Education | 686 | 691 | 659 | 635 | 691 | 627 | 656 | 737 | 563 | 659 |
| Health and personal social services | 1,090 | 1,075 | 1,051 | 945 | 990 | 978 | 991 | 1,301 | 914 | 1,041 |
| Roads and transport | 133 | 134 | 102 | 117 | 123 | 122 | 131 | 168 | 145 | 133 |
| Housing | 29 | 46 | 36 | 18 | 19 | 18 | 2 | 155 | 13 | 42 |
| Other environmental services | 168 | 153 | 65 | 130 | 133 | 114 | 110 | 182 | 135 | 134 |
| Law, order and protective services | 327 | 319 | 293 | 282 | 278 | 267 | 236 | 454 | 262 | 305 |
| Trade, industry, energy | 119 | 108 | 105 | 110 | 104 | 100 | 99 | 108 | 87 | 103 |
| Agriculture, fisheries, food and forestry | 56 | 55 | 56 | 55 | 52 | 56 | 55 | 54 | 55 | 55 |
| Culture, Media and Sport | 127 | 78 | 77 | 72 | 73 | 74 | 67 | 157 | 68 | 88 |
| Social security | 2,054 | 1,927 | 1,743 | 1,620 | 1,699 | 1,680 | 1,531 | 1,668 | 1,453 | 1,682 |
| Central administration and miscellaneous | 47 | 41 | 37 | 39 | 40 | 39 | 40 | 52 | 40 | 42 |
| Total | 4,837 | 4,628 | 4,224 | 4,023 | 4,203 | 4,075 | 3,917 | 5,035 | 3,734 | 4,283 |

Table 9.4 Historical analysis of public expenditure by region and country

| Govt Office Region/Country | 1996- 1997 | 1997- 1998 | 1998- 1999 | 1999- 2000 |
|-------------------------------|---------------|---------------|---------------|---------------|
| North East | 105 | 109 | 107 | 109 |
| North West | 102 | 103 | 103 | 104 |
| Yorks. & Humber | 96 | 96 | 95 | 95 |
| East Midlands | 89 | 90 | 90 | 90 |
| West Midlands | 94 | 96 | 94 | 94 |
| South West | 91 | 90 | 90 | 92 |
| Eastern | 85 | 84 | 88 | 88 |
| London | 115 | 114 | 112 | 113 |
| South East | 87 | 85 | 84 | 84 |
| England | 96 | 96 | 96 | 96 |
| Scotland | 118 | 118 | 119 | 118 |
| Wales | 113 | 115 | 115 | 113 |
| N Ireland | 135 | 132 | 135 | 133 |
| United Kingdom | 100 | 100 | 100 | 100 |

Source: Treasury figures analysed by Campaign for the English Regions. See HM Treasury (2001).

Attention on the Barnett Formula was heightened following John Prescott's interview with *The Guardian* (23rd April 2001). In the interview Mr Prescott said the formula was not 'written in stone' and suggested the government might 'bite the bullet' and opt for a quick resolution of the anomalies surrounding it. He suggested that a proposed review of local government finance after the election might present an appropriate opportunity, although predicted a review would leave 'blood on the carpet'. Downing Street and Millbank were quick to reaffirm the government's commitment to Barnett. But this did not stop extensive debate about the implications of Mr Prescott's views.

Peter Mandelson weighed into the debate suggesting:

I think the formula is discriminatory. In Scotland the formula looks fair and generous but that is because it is generous. From our point of view in the northern region it looks less fair and generous. I want a fair an, non-discriminatory system where people get what is reasonable and proportionate to their population and needs (quoted in *Scotland on Sunday*, 30th April 2001).

Mr Mandelson also said:

This doesn't mean Scotland getting less. Indeed needy parts of Scotland might get more. But it would mean the North-East and its pockets of high unemployment and poverty in Hartlepool receiving the attention they need. The government has made an excellent start in this direction. North-East MPs would hope to see even further progress (quoted in *The Journal* [Newcastle] 30th April 2001).

Joining the fray the *Financial Times* opined:

John Prescott ... was right to raise the question of the Barnett Formula for Scottish funding last week. If no decisions are taken soon after June, they will be delayed for another four years. With public spending planned to rise quickly, there is no better time to rethink its distribution (Editorial, 'Fairer funding', *Financial Times*, 1st May 2001).

Despite government efforts to put the lid on the debate there is now a growing expectation that change is inevitable and perhaps already underway. In its report on the debate in Standing Committee on Regional Affairs, the *FT* reported:

Ministers and officials are conducting a confidential review of the formula, but are refusing to speak about it publicly for fear of boosting the Scottish and Welsh nationalist parties ahead of the election. However, Ms [Beverley] Hughes gave a clear hint that the government was increasingly open to calls for equal treatment for England ('Labour signals rapid regional referendums', *Financial Times*, 11th May 2001).

Some ministers, however, continue to resist suggestions that the days of Barnett are numbered. As noted earlier, at Scottish questions in the House of Commons on the 8th May the Scottish Secretary Helen Liddell announced that the government had no plans to alter the Barnett Formula. In this exchange, the SNP MP Alex Salmond painted a picture of an 'anti-Scottish cabal' in the Cabinet.

Mr. Alex Salmond (Banff and Buchan): What discussions she has held with the Secretary of State for the Environment, Transport and the Regions on the Barnett formula. [159292]

The Secretary of State for Scotland (Mrs. Helen Liddell): I have regular discussions with my right hon. Friend the Secretary of State for the Environment, Transport and the Regions, the Deputy Prime Minister, on a variety of matters.

Mr. Salmond: Does not the Secretary of State find it ironic that, at a time when she is accusing the Tory party of wanting to cut £8 billion of public spending, the Deputy Prime Minister is aiming to reduce spending in Scotland by £1,000 a head? Even London brokers say that Scotland's surplus of revenue over expenditure comes to £100 million a month. Should not the Scottish Parliament therefore have control over revenue, and not be at the mercy of an anti-Scottish cabal in the Cabinet? Did not the Deputy Prime Minister say that the Barnett formula was not set in stone and forecast blood on the carpet? Why was No. 10 so anxious to say that he was not talking about the Barnett formula, if not for the anxiety of Labour Members to keep the issue quiet until the election is safely over?

Mrs. Liddell: One thing that one can say with certainty is that the hon. Gentleman is never happier than when he is whingeing for Scotland. This Government have no plans to change the Barnett formula, and we have delivered £8.5 billion more in public expenditure for Scotland.

[...]

Mr. Dominic Grieve (Beaconsfield): [...] Would the Government not be renegeing on a key commitment that they made in the past by scrapping the formula, which would be part of the complete dissolution of this country that is being brought about, through the agency of the Deputy Prime Minister, as part of the regional policy?

Mrs. Liddell: I find it interesting that the hon. Gentleman's colleague, Sir Malcolm Rifkind, made it clear that he could not guarantee maintaining spending in Scotland; this was the man who said that the poll tax was a very good experiment for Scotland. The Government have no plans to change the Barnett formula and have increased public expenditure in Scotland by £8.5 billion. The Conservative party would cut £24 million from every constituency in Scotland if they were elected (*Hansard*, 8th May 2001, Cols 7-8).

Nevertheless, the government has stuck rigidly to the line that Barnett is untouchable. In the campaign run-up:

Labour provoked outrage in English regions yesterday by ruling out for the next parliament a reform of the funding formula that gives Scotland, Wales and Northern Ireland higher levels of public spending per head ... The move was not mentioned in the party's manifesto. But at a briefing after the launch Alastair Campbell, Tony Blair's official spokesman, was asked if reform was ruled out for the lifetime of the next parliament. He replied: "Yes." (*Financial Times*; May 17th, 2001).

According to the *FT*, for English devolutionists, 'it took the gloss off their success in winning a clause in the manifesto repeating Labour's 1997 pledge to establish directly elected assemblies in regions where people support it in a referendum'.

In a noteworthy development, the issue of funding formulas has moved away from being a solely northern concern with what the *FT* called 'an unprecedented meeting' at Leeds Castle in Kent on 30th April, involving nine Conservative, Liberal Democrat and politically 'hung' county councils. The meeting heard calls for a new local authority funding formula and complaints that the current system of Standard Spending Assessments is biased in favour of local authorities in the North. The southern grievance focuses on the fact that the south-east pays the highest taxation per head, but receives the lowest per capital level of government funding (*Financial Times*, 30th April 2001). The moving force behind the

meeting was Sandy Bruce-Lockhart Conservative leader of Kent county Council, who said:

There is a very strong convection that the south-east has not got into the business of pushing its case as other regions have (quoted in *Local Government Chronicle*, 4th May 2001).

Meanwhile David Shakespeare, Conservative leader of Buckinghamshire County Council expressed concern that the Area Cost Adjustment, which delivers financial benefits to the south-east may be abolished by the government. He said,

The ACA [Area Cost Adjustment] is not only justified, it is under-funded. That is not a message the northern barons want to hear (quoted in the *Financial Times*, 1st May 2001).

The post-election battle lines are already being drawn.

10 The political parties

The manifestos of the main parties contained few surprises. In each case the manifestos reiterated the existing public positions of the parties. There is some evidence of the parties making a particular effort to tailor their message to different regional circumstances.

10.1 Labour

Labour's manifesto offers little more than a restatement of the well-worn government line. Interestingly, the issue of local government reform is raised. This appears to be somewhat at odds with the statements of ministers which we reported previously (see Tomaney and Hetherington, 2001). The manifesto says:

Some functions are best tackled at the regional level. Economic development is the core of regional policy today. In our first term we have created RDAs to develop regional economic development. Regional chambers have been set up to provide some accountability for regional economic decision-making. We are committed, as RDAs take on more power, to enhance the scrutiny functions of regional chambers. For some regions this degree of political representation will be sufficient. However in other parts of the country there may be a stronger sense of regional identity and a desire for a regional political voice. In 1997 we said that provision should be made for directly-elected regional government to go ahead in regions where people decided in a referendum to support it and where predominantly unitary local government is established. That remains our commitment.

Overall the blandness of the passage makes it difficult to judge its significance, but it seems less forthright than ministers' and others recent statements.

Labour's election campaign is be tailored to the concerns of individual regions according to the *Financial Times* (9th May 01). The *FT* alleges that this reflects an attempt to overcome the charge that New Labour represents only the metropolitan elite. The party decision to launch its manifesto outside London — in Birmingham — was aimed at reinforcing its regional message. It has also nominated 11 'regional campaigners' to promote its message in each region. The campaigners are:

| | |
|------------------------------|---------------|
| Patricia Hewitt | East Midlands |
| Estelle Morris/Jacqui Morris | West Midlands |
| Dawn Primarolo | South West |
| Hilary Armstrong | North East |
| | Yorkshire |
| Hazel Blears | North West |
| John Denham | South East |
| Keith Hill | London |

(Source: *Financial Times*, various Labour Party regional offices)

10.2 Conservatives

The Conservatives manifesto reiterates the party's opposition to all things regional;

Labour have introduced a new tier of regional bureaucracy. But almost no-one identifies with the arbitrary regions into which the country has been carved up - they owe nothing to where people feel they actually belong. We will abolish the Regional Development Agencies that the Government have introduced and scrap Labour's plans for new Regional Assemblies. We will give responsibility for enterprise and development back to the county councils, and to unitary authorities where appropriate, and save the £70 million a year the RDAs spend on administration.

As we noted earlier the Party saw confusions emerging in the initial stages of the election campaign over its attitude to the Barnett formula.

10.3 Liberal Democrats

The Liberal Democrats reiterated their support for regional government in their manifesto:

Give the regions of England more democratic power. We will legislate for referenda on elected regional assemblies. If local people vote for a regional assembly, the assembly would take on a set of core powers from Westminster and from current undemocratic regional quangos. Regions will normally be based on existing Regional Development Agency

boundaries, but with scope for smaller areas where local identity, geography and preferences make that appropriate. We would allow further devolution of powers and boundary changes in subsequent referenda.

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