

The **Constitution** Unit

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English Regions Devolution Monitoring Report

May 2008

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Economic Governance
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The Devolution Monitoring Programme

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

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

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

**Inching towards a solution to the problem of
England's 'Missing Middle'**

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EXECUTIVE SUMMARY	6
CHRONOLOGY OF KEY EVENTS	9
1. MAIN DEVELOPMENTS	10
2. REGIONAL STRUCTURES	12
2.1 Progress on implementation of the SNR	12
2.2 Regional Ministers	13
2.3 Regional Development Agencies	14
2.4 Other regionalised agencies	16
2.5 Greater London	17
2.6 City-Regions	22
3. PARTY POSITIONS ON REGIONAL ISSUES	24
4. PUBLIC ATTITUDES, IDENTITY AND RESEARCH	25
5. REGIONS IN PARLIAMENT	27
5.1 Deliberations on Regional Select Committees in the Modernisation Select Committee	27
5.2 Parliamentary debates	30
6. REGENERATION AND LOCATION POLICY	31
7. EU ISSUES	33
8. FINANCE	35
9. LOCAL GOVERNMENT	36
10. CONCLUSION	37

Abbreviations Used

ALG	Association of London Government (renamed London Councils)
BERR	Department for Business, Enterprise and Regulatory Reform (formerly DTI)
CSR07	Comprehensive Spending Review 2007
DCLG	Department of Communities and Local Government
DEFRA	Department for Environment Food and Rural Affairs
DTI	Department of Trade and Industry
EEDA	East of England Development Agency
EP	English Partnerships
ERDF	European Regional Development Fund
ERN	English Regions Network
ESF	European Social Fund
GOR	Government Office for the Region
Haca	Homes and Communities Agency
IPA	Independent Performance Assessment
IRS	Integrated Regional Strategy
IPPR	Institute for Public Policy Research
Jessica	Joint European Support for Sustainable Investment in City Areas
LAA	Local Area Agreement
LGA	Local Government Association
LSC	Learning and Skills Council
MAA	Multi-Area Agreement
NAO	National Audit Office
NLGN	New Local Government Network
NWDA	North West Development Agency
NWRA	North West Regional Assembly
ONE	One North East (RDA)
RDA	Regional Development Agency
RES	Regional Economic Strategy
RSS	Regional Spatial Strategy
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SNR	Review of Sub-National Economic Development and Regeneration
SWRDA	South West Regional Development Agency

Executive Summary

- It is expected that of the thirteen areas developing Multi Area Agreements (MAAs) only around half will be signed off by the government's original deadline of June 2008, the others should be completed by spring 2009; this timeframe will allow other aspirant MAAs to formally enter the negotiation process.
- A number of other Sub-national Review (SNR) recommendations remain to be operationalised with consultations currently taking place on the introduction of Integrated Regional Strategies (IRSs) and the passing of responsibility for land-use planning to Regional Development Agencies (RDAs) as well as on how to strengthen the local government role in economic development.
- The production process for IRSs is expected to take around 24 months, they will be subject to examinations in public and will be signed off through 'local authority leaders' forums' – the exact nature of which has yet to be determined.
- Also following on from a suggestion in the SNR, the Government is examining – along with relevant groups of local authorities – the establishment of statutory, legally-binding city-regional structures empowered to deal with economic development activity beyond transport. This would enable funding and responsibility to be devolved or delegated directly to the sub-region, rather than to individual local authorities, or to one local authority acting as the accountable body for a sub-regional partnership.
- Indeed, only five of the current MAA partnerships – Manchester, Leeds, Sheffield, Bristol and Blackburn-Burnley – are considering taking up the statutory 'city region' option. Of these, Greater Manchester is ahead of the field, having firm plans to create an executive board or senate comprised of the leaders of its 10 councils.
- RDAs have begun to outline plans for funding mechanisms to fund infrastructure projects that will underpin future growth in new or expanded settlements. The South West Regional Development Agency (SWRDA) has put together a £80m Regional Investment Fund (RIF) that will help to provide infrastructure more quickly, streamlining what is currently a complex and time-consuming process. The South East England Development Agency (SEEDA) indicated that it was

planning a similar fund, initially to be supported by £10m of agency money.

- The Mayoral and London Assembly elections took place on 1 May. The result was a victory for the Conservative candidate Boris Johnson over the Labour incumbent, Ken Livingstone. On a turnout of just over 45 per cent of the 5.4 million electorate, Johnson won 53 per cent of the vote to Livingstone's 47 per cent once second preference votes had been reallocated.
- Labour also fared badly in the May local council elections in the rest of England: Labour lost over 300 councillors and control of nine councils, while the Conservatives gained 44 per cent of the vote and some highly symbolic individual council gains.
- The transfer of almost £1.1bn of lottery funds to the London Olympic Games has been authorised and will commence from February 2009. This represents a £675m increase on the original Lottery allocation. The Government has said that there will be no further drawing on Lottery funds to resource the Games. Even in London, as in the rest of England, there are fears that this diversion of lottery funds will have deleterious consequences for current recipients, particularly community, sports and arts groups
- The Modernisation Committee of the House of Commons enquiry into regional accountability is ongoing. Progress has been made in clarifying that any form of regional committee would be concerned first and foremost with issues specific to each region, and that overarching policy issues would continue to be dealt with by the existing select committees. The idea of a 'hybrid' committee bringing together MPs and leaders of councils, thus combining parliamentary and local authority scrutiny, has been aired to a favourable reception.
- The plan to develop a super-casino in East Manchester has now formally been abandoned but the sixteen smaller casinos that formed the rest of the package recommended by the independent Casino Advisory Panel in 2007 will be allowed to go ahead.
- The EU Commission has announced that the UK Government has failed to resolve weaknesses in the way it handles European Regional Development Fund

(ERDF) cash in the North-West. A fine of £17.8m has been imposed.

Chronology of Key Events

11 January	The allocation of ERDF Funds to RDAs is announced
24 January	Cabinet reshuffle forced by the resignation of Peter Hain. Caroline Flint replaced Yvette Cooper as Housing Minister, with James Purnell promoted to the Department for Work and Pensions
30 January	Select Committee on Modernisation of the House of Commons meets for first evidence session of its inquiry into Regional Accountability
26 February	Culture Secretary Andy Burnham announces to Parliament that the Manchester super-casino will not go ahead.
5 March	Final evidence session of the Modernisation Select Committee inquiry into Regional Accountability
31 March	Departments for Communities and Local Government (DCLG) and Business, Enterprise and Regulatory Reform (BERR) release consultation document on taking forward the SNR
1 May	Local government elections in England and Wales, Mayoral election in London

1. Main Developments

This has been a relatively uneventful monitoring period, at least at the regional level, while the national picture has been dominated by increasing economic uncertainty and the build up to the local and London mayoral elections on 1 May. Gathering storm clouds over the national economy were noted in the previous English Regions Monitoring Report, and the current period witnessed a hardening of sentiment about the likelihood of a more prolonged recession, a decline in the housing market, and the very real fact of rising food and fuel prices, which have been felt acutely by the public and which will put pressure on inflation. Concern over the UK Government's handling of problems associated with the global 'credit crunch' was deepened by a more obviously political crisis resulting from growing public and backbench fear of the impact on low-paid workers of the abolition of the 10p tax band, which was originally announced in the 2007 Budget but came into effect in April 2008. We mention these factors because of their crucial importance in setting the national climate that dominated the build up to the local and London Mayoral elections. Prime Minister Gordon Brown's seeming inability to take the sting out of these issues – and particularly the Government's handling of the 10p tax rate issue – allowed a sense of injustice and dissatisfaction to fester. This seemed to be a decisive element in Labour's disastrous showing in the May local elections: Labour lost over 300 councillors and control of nine councils, while the Conservatives gained 44 per cent of the vote and some highly symbolic individual council gains, and capped all of this with the election of their candidate Boris Johnson as London Mayor. There is now increasingly fervent media speculation that there may even be a leadership challenge to Brown in the autumn of 2008, unless he can lead a real turnaround in the governing party's fortunes.

Turning to the regional and sub-national developments which are the focus of this report, one significant development has been the ongoing progress on the establishment of MAAs – amounting to the creation of a form of city-regional governance – in a number of English urban areas. By necessity, this entails a slow process of local institution-building and detailed negotiation with the UK Government, and is unsurprisingly occurring largely away from the media and public spotlight. What can be said however is that MAAs are in development, but at different rates.

Formally, thirteen areas are developing MAAs, as announced by DCLG in November 2007, to be ready for sign-off by Government in June 2008. Some of the MAAs

(notably Manchester, Leeds and Sheffield) are considering the option of creating a statutory city-regional body. The statutory option would require fresh legislation and is an idea floated in the July 2007 SNR and reinforced by a consultation document produced by DCLG in March 2008. In any case, there remains a great deal of uncertainty about the readiness of any such sub-national institutions to take on power from above, or indeed for local authorities to cede power upwards. There are also local political sensitivities over the co-operation across boundaries and about the implications that different governance arrangements might have. According to some sources, only about half of the MAAs may be ready by the June deadline, while others suggest that only two are far-enough advanced. The rest require further negotiation and will be aiming for agreement in the autumn of 2008 or even later. The Greater Manchester proposal is understood to be the most advanced and envisages a senate made up of the ten local authority leaders covering economic development and transport policies across the conurbation. Parliament may need to approve new powers if the Manchester city-region proposal is to be fully established. If carried through the new arrangements would give Manchester the most important local government body outside the GLA. These important, though tentative, developments are discussed in section 2.6 below.

At the end of March DCLG and BERR published a consultation document, *Prosperous Places*, on progress towards the implementation of the SNR recommendations.¹ This document reiterates the Government's current regional governance thinking, which centres on the twin poles of 'business-led RDAs and democratically mandated local authorities', and where RDAs are now solely responsible for regional planning and the delivery of an Integrated Regional Strategy. Questions remain about the detailed arrangements for regional scrutiny and accountability in this new 'partnership' for regional development and governance. *Prosperous Places* restates the Government's intention that local authorities will play a stronger role in promoting economic development, and as discussed above, there is seemingly strong support for 'collaboration across sub-regions', primarily through the creation of MAAs but also through possible creating a statutory basis for sub/city-regionalism.

¹ DCLG and BERR, *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, 31 March 2008

2. Regional Structures

2.1 Progress on implementation of the SNR

DCLG and BERR's report *Prosperous Places* (discussed above) celebrated the progress the departments consider to have been made in: establishing economic development as a key component of the new local government performance framework; clarifying the resource environment within which RDAs will operate in the next three years; establishing the Working Neighbourhoods Fund for areas with high and persistent levels of worklessness; clarifying responsibilities for dealing with climate change; and moving towards the conclusion of MAAs for selected sub-regions.² At the same time, it recognised that a number of SNR recommendations remain to be operationalised and therefore launched a consultative process covering: the 'streamlining' of regional governance, and especially the introduction of IRSs and the passing of responsibility for land-use planning to RDAs; strengthening local government's role in economic development, particularly through introducing a new statutory obligation upon local authorities to assess local economic conditions; supporting collaboration by local authorities 'across economic areas'. The consultation focuses mainly upon questions of detail relating to how SNR proposals are to be implemented. In respect of the three main areas identified for consultation, the review clarifies that Government is interested in:

- Making it easier for businesses and entrepreneurs to create jobs and wealth, and to unlock the talents of the British people. Global economic challenges will not respect our administrative boundaries so the public sector must adapt to work better for business so that business can play its essential role in creating wealth;
- implementing reforms in a way that ensures we achieve growth that is environmentally sustainable and makes the transition to a low-carbon economy; and
- ensuring that people have a real and meaningful say over the places where they live and about which they care deeply, with effective opportunities to influence regional planning.³

The production process for new IRSs is expected to take around 24 months. As with current Regional Spatial Strategies, IRSs will be subject to 'examinations in public'. Given that the Regional Assemblies that currently produce Regional Spatial

² DCLG and BERR, *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, 31 March 2008

³ *Ibid.*, p 3

Strategies (RSSs) will be abolished by the time IRSs come into force, 'sign off' by local authorities will be achieved by way of a 'local authority leaders' forum'. The consultation programme is seeking views about the form, structure and degree of independence from Government guidance of these new bodies, The Government is considering introducing a requirement for a delivery plan to be part of the IRS so that the commitments of each of the agencies that will be involved in its implementation are clarified in advance.

The first round of local authority economic assessments is expected to be completed in 2010 so that they can underpin the next round of Local Area Agreements (2011-12) and contribute to the first wave of IRSs. In areas with two tiers of local government, the upper tier authority will be responsible for producing the assessment, working closely with lower tier authorities. Elsewhere, the expectation appears to be that local authorities will come together as they see fit to produce assessments for areas that span districts. The Audit Commission will take account of the effectiveness of these assessments as part of its new Comprehensive Area Assessment regime.

The Government – possibly reflecting concerns about leadership, accountability and capacity that are surfacing as it moves towards concluding the first MAAs – has firmed up its commitment to legislate in order 'to allow formal legal status for collaborative arrangements' across sub-regions. The review seeks views about what such legislation might best deal with but makes it clear that, whatever new statutory arrangements might be introduced, they are not expected to result in net additional costs for local authorities and will not be entitled to precept upon the council taxes of participating authorities.

The consultation process runs until 20 June. DCLG and BERR are committed to producing a summary of responses within three months.

2.2 Regional Ministers

In our last report we outlined in detail the ministerial changes following the resignation of Peter Hain from the Cabinet on 24 January.⁴ In particular, two of the regional portfolios changed hands: Rosie Winterton replaced Caroline Flint as Minister for Yorkshire and the Humber, and Phil Hope replaced Gillian Merron as

⁴ M. Burch, A. Harding and J. Rees, *Unequal Regions: A growing imbalance?* English Regions Monitoring Report, Constitution Unit, London, January 2008, p. 12

Minister for the East Midlands. Winterton and Hope kept their respective existing jobs as Minister of State at the Department for Transport, and Parliamentary Secretary in the Cabinet Office with particular responsibility for the 'Third Sector'. The tally of regional ministers as it stands in May 2008 is outlined below showing their main ministerial posts alongside their regional responsibilities.

Figure 2.1: Regional ministers and their main ministerial posts

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

Over the current monitoring period the regional ministers exercise has been more evidently drawn into the processes of governance at the sub-national level with all the Government Offices for the Regions (GORs) now providing regional minister websites and/or newsletters. With the exception of the South East, South West and Yorkshire and Humber, websites are up-to-date and well-developed and tend to itemise what the minister has been doing in the region.⁵ What is not available is information about how the regional ministers both individually and collectively relate back to Whitehall departments and how they impact on policy-making in central government. Thus the question as to whether they are having a significant impact on what is determined at the centre or whether this is largely a public relations exercise remains an open one.

2.3 Regional Development Agencies

It was announced in February that two of the regional centres for excellence for sustainable communities – in the North West and South West – will no longer receive core funding when the current funding expires in the summer of 2008. This development had been expected as RDAs move back towards a focus on

⁵ See for example, the East of England (www.gos.gov.uk/goee/docs/187700/GEN20081.pdf), the South East (www.gos.gov.uk/gose/ourRegion/584390/), and the North West (www.gonw.gov.uk/gonw/eazines/NWMatters/)

productivity and economic development in the light of changes associated with the SNR. It is expected that other RDAs will make similar decisions, requiring the centres of excellence to become more financially independent.

Meanwhile, in line with this focus on supporting economic development and housing provision, RDAs have begun to outline plans for mechanisms to fund infrastructure projects that will underpin future growth. Such funds were initially proposed by SWRDA and the South East England Regional Assembly (SEERA) in their advice on regional spending priorities submitted to Government before the budget in 2006.⁶ These same regions have progressed the idea under the aegis of the RDAs, and this March SWRDA was ready to announce that it had put together a £80m Regional Investment Fund (RIF) to 'provide seed investment to ensure major infrastructure projects in the region are delivered in a timely manner to help unlock the region's business potential'.⁷ The aim of the fund is to provide infrastructure more quickly, streamlining what is currently a highly complex and time-consuming process. As the press release goes on to explain:

The RDA's fund can bring about the timely delivery of these essential pieces of infrastructure. It is a method of 'forward-funding' financial contributions to infrastructure projects enabling the full funding package required to ensure they are in place earlier. Currently, delivery of an essential piece of infrastructure can be delayed, sometimes for years until every required financial contribution is in place...[in] the RIF the funds are recycled. It is planned to be available to help deliver infrastructure for over a decade; its investments are recouped through the planning process as development occurs.⁸

The following week, SEEDA indicated that it was planning a similar fund, initially to be supported by £10m of agency money. In addition, during the monitoring period then Housing Minister Yvette Cooper launched a consultation on the proposed Community Infrastructure Levy outlined in the Planning Bill. The aim of the levy will be to give councils the power to set charges for developer contributions to infrastructure provision for specific new sites, and as such might be expected to sit alongside existing Section 106 agreements and innovations such as RIFs.⁹

⁶ The relevant documents are available from the Regional Assemblies' websites, www.southeast-ra.gov.uk/, and www.southwest-ra.gov.uk

⁷ SWERDA press release, Launch of £80m South West Infrastructure Fund, 11 March 2008, www.southwestrda.org.uk/news/release.asp?releaseid=2372

⁸ *Ibid.*

⁹ For further detail see www.communities.gov.uk/publications/planningandbuilding/infrastructurelevyguidance

2.4 Other regionalised agencies

In common with experience in other regions, particularly in the rest of the South of England, the independent panel examining the South West's RSS recommended that the number of homes planned for the region until 2026 be increased to 28,000, from a recommendation in the draft RSS of 23,060. The inspector's report, published on 10 January, suggested that the RSS should be in line with the DCLG 2003 housing projections, and that 35 per cent of the new homes should be 'affordable'.¹⁰

The creation of the Homes and Communities Agency, also to be known as Haca, from the merger of English Partnerships and the Housing Corporation, and some of the functions of DCLG, continues. As previous *Monitoring Reports* have noted, the extent to which the new agency will be centralised or will be able to operate sensitively with regions and localities remains uncertain. This was a point made strongly by a report released by the All Party Urban Development Group (APUDG) in March, which warned against any attempt by Haca to work to a strongly nationalised plan to deliver the Government's target of three million homes for England by 2020.¹¹ Instead, it was reiterated that local authorities remain a crucial arbiter and facilitator of housing delivery. Clive Betts, chairman of the APUDG, summed up the sense of frustration in the slow pace of delivery of housing through the existing institutional and national target-driven mechanisms:

It's time to move beyond national housing targets. We urgently need to get to grips with the practical difficulties of building three million homes. Local authorities must play a key role in delivering homes, and they need help to deliver the goods.¹²

However, other reported comments by Haca's Chief Executive suggest that the agency will have 'a strong regional presence', based on the same standard regions as RDAs and Government Offices for the Regions.¹³ One of its predecessor organisations, English Partnerships, did not use the same regional geography. Questions remain about the division of responsibilities for leading development between Haca and the RDAs, although it seems likely that RDAs will continue to lead on primarily commercial developments. The Government hopes that Haca will be

¹⁰ The Draft South West RSS Examination in Public Panel Report is available here: www.southwest-ra.gov.uk/nqcontent.cfm?a_id=3627

¹¹ All Party Urban Development Group, *Delivering urban homes: The role of the public and private sector*, available at: http://0301.netclime.net/1_5/12e/060/2b5/Delivering%20urban%20homes%20-%20All%20Party%20Urban%20Development%20Group%20-.pdf

¹² Quoted in Hayman, A., 'Haca must not nationalise housing, say MPs', *Regeneration and Renewal*, 5 March 2008

¹³ Quoted in Garlick, R. 'Super agency to delegate to RDAs', *Regeneration & Renewal*, 7 March 2008

fully operational by April 2009.

2.5 Greater London

2.5.1 Mayoral and GLA Elections

The key London story during this monitoring period has been the Mayoral and GLA elections, which took place on 1 May. The result was a victory for the Conservative candidate Boris Johnson over the Labour incumbent, Ken Livingstone. On a turnout of just over 45 per cent of the 5.4 million electorate, Johnson won 1,043,761 first preference votes to secure 42.48 per cent of the vote; Ken Livingstone attracted 893,877 first preference votes (36.38 per cent) and Brian Paddick, the Liberal Democrat candidate, came third with 236,685 votes (9.63 per cent). Paddick was then eliminated along with the seven other candidates. The unsuccessful candidates' second preference votes were distributed, giving Johnson 1,168,738 votes (53 per cent) and Livingstone 1,028,966 (47 per cent). The detailed results are outlined in Figures 2 and 3.

In elections for the 25-member Greater London Assembly Labour gained a seat to achieve a total of eight, the Conservatives gained two to achieve a total of eleven, Liberal Democrats lost two ending up with three seats, the Greens remained constant on two, the United Kingdom Independence Party (UKIP) lost both of its seats, and, for the first time, The British National Party (BNP) gained a seat.

It is not exactly clear what the difference in policy will be between the Johnson and Livingstone administrations. Certainly there will be a difference in style, but the main points of policy difference that emerged during the campaign are limited. They include: abolition of the Mayor's free news sheet; tighter controls over the costs of the 2012 Olympics; introduction of shared ownership schemes for first time house buyers with a single or combined income of at least £60,000; placing an extra 1,500 police on London's streets, banning the consumption of alcohol on the London tube, and the removal of bendy-buses!

The significance of the election is, however, wider than the differences of policies. It marked the full coming of age of the re-creation of London-wide government in 1999, and the result stands as a rebuttal to those who tended to argue that it was prone to dominance by one Party. Another feature was the substantial coverage given to the election by the national media. Part of this interest in the campaign reflected the

colourfulness of the contestants and part the closeness of the contest – at least as indicated through opinion polls. It also revealed the extent to which the national media, now firmly located in London, places London issues and concerns at the top of the national agenda.

Figure 2.2: Final Mayoral Election Result

Candidate name	Party	1st choice votes	2nd choice votes *	Total Votes
Boris Johnson	Conservative Party	1,043,761	124,977	1,168,738
Ken Livingstone	The Labour Party	893,877	135,089	1,028,966

Note: On papers where the 1st and 2nd choice votes are for the top two candidates, the 2nd choice votes are not counted.

Figure 2.3: Results by candidate for 2008

Candidate name	Party	1st choice votes	1st choice %	2nd choice votes	2nd choice %
Boris Johnson	Conservative Party	1,043,761	42.48	257,792	10.49
Ken Livingstone	The Labour Party	893,877	36.38	303,198	12.34
Brian Paddick	Liberal Democrats	236,685	9.63	641,412	26.11
Siân Berry	Green Party	77,374	3.15	331,727	13.50
Richard Barnbrook	British National Party	69,710	2.84	128,609	5.23
Alan Craig	Christian Peoples Alliance and Christian Party	39,249	1.60	80,140	3.26
Gerard Batten	UK Independence Party	22,422	0.91	113,651	4.63
Lindsey German	Left List	16,796	0.68	35,057	1.43
Matt O'Connor	English Democrats	10,695	0.44	73,538	2.99
Winston McKenzie	Independent	5,389	0.22	38,954	1.59

Source: Mayor of London and the Greater London Authority, Mayoral Elections 2008 www.London.gov.uk/gla/elections/mayoral

2.5.2 Mayor and Greater London Authority

Prior to and during the campaign for Mayor of London, allegations were made concerning the operation of a number of projects under the auspices of the London

Development Agency (LDA).¹⁴ As a result the agency instigated a review into allegations that Mayor Ken Livingstone's equalities and policing adviser, Lee Jasper, was personally linked to community organisations that had received funding from the LDA. In January 2008 the review into these allegations concluded that the majority of them were unfounded, but the LDA handed six cases over to the police, not because they assumed any wrongdoing, but because only the police would be able to force disclosure of confidential bank information and emails. Indeed the LDA review concluded that the allegations made against Jasper were untrue or lacked supporting evidence. However, in mid February, Lee Jasper was at his own request suspended from his position pending the outcome of the police investigations. In March he formally resigned following further allegations in the London press based on the claim that he had failed to disclose details of his friendship with a woman involved in two organisations that received funding from the LDA.¹⁵ The case featured prominently in the mayoral election campaign and was part of an attempt to characterise the Livingstone administration as either corrupt or incompetent.

The campaign also raised issues about the workings of the 25-member London Assembly with some speculation about what role it should play. A significant contribution to this debate was made in a pamphlet published in April by the New Local Government Network (NLGN), which argued that the Assembly has not provided effective scrutiny of the London Mayor. In particular the task of scrutinising the work of the Mayor does not require 25 full-time elected members. The real problem is that 'members simply don't have enough to do to justify full time engagement and as a result they may be spending time compiling superfluous investigations and reports that generally neither have much impact on the work of the London Mayor nor help to inform its wider politics'. As an alternative to the Assembly, it is argued, the Mayor should be scrutinised by a London Leaders' Council (LLC), consisting of the 32 elected Borough council leaders. This body would have the power to approve or amend the Mayor's budget and would also have scrutiny over the London Development Agency, the Metropolitan Police and Transport for London. The report claims that removing the Assembly would save £6.6m per annum – not least by abolishing the posts of the 25 Assembly Members who each receive an annual salary of £50,581. To replace the policy-making function of Assembly Members, the pamphlet proposes that the House of Commons should set up a London Regional Select Committee to investigate the work and policies of the

¹⁴ These allegations initially appeared on the London *Evening Standard* in December 2007.

¹⁵ Regeneration and Renewal, 5 March 2008.

London Mayor.¹⁶ Such a wholesale restructuring of the framework of London government seems unlikely in the near future, though it is clear that the functions of the GLA require some review. The particular proposals in the NLGN pamphlet do, however, reflect the ongoing tension in London government since 1999 between the locally-focused boroughs and the more strategically-focused London-wide institutions. The danger is that the creation of a body such as the proposed LCC could well prove to be a recipe for parochialism, deadlock and delay.

2.5.3 Greater London Infrastructure Projects

The £9bn Thames Gateway scheme underwent a change in management in December 2007 with the resignation of its Chief Executive, Judith Armitt. This followed a report by the House of Commons Public Accounts Committee, published in November, which was highly critical of the running of the project. Armitt resigned after only a year in the job and early in the new year DCLG Director General of Communities and Regions Joe Montgomery acquired Armitt's responsibilities on a temporary basis as an immediate government response to her departure. Later it became clear that Armitt's responsibilities for coordinating the activities of the private sector and several Whitehall spending departments in the Gateway would be transferred to the new Homes and Communities Agency (Haca). This agency, which is currently being established and will be fully operational by 1 April 2009, combines the work of English Partnerships, the Housing Corporation and the housing and regeneration delivery functions of the DCLG. It is being headed by Sir Bob Kerslake, formerly Chief Executive of Sheffield City Council, who took up his new post in March. It is not clear as to whether Armitt's post as Chief Executive of the Thames Gateway will be filled on a permanent basis, though Montgomery will undertake her coordinating role and will take control of implementing the Thames Gateway delivery plan until Haca is fully established in 2009. In addition to the Thames Gateway, Haca will also have operational responsibility for three other growth area projects, in Milton Keynes, Ashford, and Stansted and Cambridge, as well as overseeing the nine housing market renewal pathfinder projects in the North and the Midlands.

2.5.4 The Olympics

Firstly, there is continuing controversy over the budget for the Games facilities, an issue that is realistically likely to rumble on until 2012. The Government was accused of allowing a potential £1bn shortfall to arise: it was agreed last year by Olympics

¹⁶ James Hulme, Glad to be GLA? Making London government more accountable, London, NLGN, April 2008, at <http://www.nlgn.org.uk>

Minister Tessa Jowell and Mayor Ken Livingstone that receipts from land sales after the Games would be used to pay back £1.8bn borrowed from sources including the National Lottery, but estimates made by the London Development Agency suggested that only £800m might be raised from land sales. The discrepancy comes from differing projections of land price increases. DCMS argued that their projection was cautious and expected the target to be met. There have also been concerns over the costs of individual buildings – in particular the aquatics complex – which have risen considerably since the original bid. Such issues are also closely connected to the two more substantive issues that arose in the period: fears about the diversion of Lottery funds to the Olympics and anxiety over the provisions made for the Olympics' 'legacy' benefits.

In January MPs voted to approve the measure to transfer almost £1.1bn from the National Lottery to the Olympic Lottery Distribution Fund in order to finance the Games; to be carried out in 15 instalments between February 2009 and August 2012. The new fund comprises the original £410m Lottery allocation plus an extra £675m, and the Government has committed to using no more Lottery resources. Addressing the House, Culture Secretary James Purnell confirmed that 'there will be no further diversion from the Lottery good causes to fund the Olympics'.¹⁷ Even within London however, there are fears that this diversion will have deleterious consequences for recipients of Lottery good causes funding, particularly community, sports, and arts groups. A report by the London Assembly's economic development committee, based on calculations using the average amount that London has received in the past from the fund, found that good causes in the capital could lose £440m of funding to the Games.¹⁸ At present it is not clear what exactly will happen to the funding for, in particular, the smaller organisations that are often more dependant on grant funding, and the report calls for greater clarity about funding and plans for protecting such organisations.

A second area of concern was over the so-called legacy benefits of the Games. A report by the House of Commons Public Accounts Committee (PAC) in April said that DCMS must publish a statement detailing its legacy plans for the Games and how

¹⁷ Quoted in BBC News Online, MPs back Olympic funds transfer, 15 January 2008, at http://news.bbc.co.uk/1/hi/uk_politics/7188957.stm

¹⁸ London Assembly, Economic Development, Culture, Sport and Tourism Committee, *The Impact of the 2012 Games on Lottery Funding in London*, January 2008, at www.london.gov.uk/assembly/reports/econsd/lottery-funding.pdf

they would be delivered.¹⁹ The committee's scepticism about plans for the regeneration legacy appear to stem from its assessment that the Government was 'entirely unrealistic' in its original costing of the Games. The chairman of the committee, Edward Leigh, pointed out that the original costing ignored 'foreseeable major factors such as contingency provision, tax obligations, and policing and wider security requirements'; and that DCMS had not specified what legacy benefits would be delivered. However, the Director for Olympic Legacy at the LDA, Tom Russell, has suggested that regeneration targets are needed and will be included in a legacy masterplan to be published in 2009.²⁰ This issue is particularly salient as the original bid made great play of the regenerative benefits of the Games for the eastern side of London. Indeed, Ken Livingstone recently claimed at a hustings for the mayoralty that he was not in the least interested in three weeks of sport and the bid had been, from his point of view, purely to secure the redevelopment of the East End.²¹

2.6 City-Regions

Over the course of this monitoring period the thirteen urban areas that were on the initial list of MAAs have been variously developing their proposals and negotiating them with DCLG, in order for MAAs to be formally 'signed off' by the Department in June 2008. Not surprisingly, this process of institutional development has been largely occurring outside of the media and public spotlight, though developments have emerged in the specialist press as well as in documents from the websites of some of the local authorities and existing city-regional groupings.

In brief, what is apparent is that the MAA proposals are at very different stages of readiness and only some, perhaps a minority, will be completed by the June deadline. There is uncertainty about the timescale for further rounds of MAAs. There is also a considerable amount of discussion about the exact form different city-regional structures might take in the longer term. For instance, during the monitoring period it was confirmed that Government was prepared to look at the establishment of statutory, legally-binding city-regional structures. This option was initially aired in the SNR, and confirmed as a possibility in *Prosperous Places*:

The Government proposes to work with interested local authorities

¹⁹ Public Accounts Committee, The budget for the London 2012 Olympic and Paralympic Games, Fourteenth Report, Session 2007-08, available at www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/85/8502.htm

²⁰ Garlick, R. Olympic legacy body to set regeneration targets, *Regeneration and Renewal*, 14 March 2008

²¹ Willis, B. 'Livingstone "ensnared" government over 2012 bid', *Regeneration and Renewal*, 24 April 2008

towards establishing statutory sub-regional arrangements for economic development activity going beyond transport. This would enhance the ability of authorities to drive forward improvements to support sustainable sub-regional growth, and enable funding and responsibility to be devolved or delegated directly to the sub-region, rather than to individual local authorities or to one local authority acting as the accountable body for a sub-regional partnership. Such arrangements would also bind in local authorities to long-term decision-making.²²

Clearly, this holds out the possibility of a longer-term move towards powerful city-regional bodies. However, many barriers remain, not least of which is the need for primary legislation. A survey conducted by the Local Government Chronicle suggested that only five of the current MAA partnerships – Manchester, Leeds, Sheffield, Bristol and Blackburn-Burnley – were considering taking up the statutory option. Greater Manchester is ahead of the field, with:

firm plans to create a statutory body, having formed detailed proposals for an executive board comprised of the leaders of its 10 councils. Only London will have a stronger conurbation-wide leadership arrangement.²³

More generally, it is widely believed that Greater Manchester and Tees Valley are the forerunners in the MAA process. Both city-regions are proposing a senatorial governance model, where each of the leaders of the participating local authorities has a single vote on an executive board, and both have had intensive meetings with Government officials to thrash out details of the arrangements. Manchester's plan centres on the creation of city-region-wide integrated skills and employment service, again similar to the model used in Greater London. According to Regeneration and Renewal, bids from the Manchester and Tees are 'near-certainties' for selection as binding MAAs in the first wave.²⁴ This appears to reinforce the view that one of the major sticking points for the Government is the issue of city-regional governance and in particular the concern to ensure that systems are transparent and accountable, and that perhaps only these two city-regions have convinced DCLG on this score. At the current time, it seems that only around half of the MAAs will be signed off in June, while the rest could be completed in autumn 2008 and spring 2009, during which periods during which other aspirant MAAs should be able formally to enter the negotiation process.

²² DCLG and BERR, *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, 31 March 2008

²³ Drillsma-Milgrom, D. Manchester pulls ahead, *Local Government Chronicle* 9 April 2008

²⁴ Walker, B. 'New opportunities for cross-boundary deals' *Regeneration and Renewal*, 18 January 2008

3. Party Positions on Regional Issues

There were no significant developments in the period in terms of party positions on regional issues.

4. Public Attitudes, Identity and Research

In January, the London School of Economics was chosen to host the Centre for Research on Spatial Economics, whose main task is to:

strengthen the provision and use of independent, relevant and robust research and evidence on the drivers and implications of spatial disparities in economic and social performance at all spatial levels, including regional, local/city and neighbourhood, within England.²⁵

The centre will receive £2.4million of joint funding from BERR, DCLG, the Welsh Assembly Government and the Economic and Social Research Council (ESRC) over three years.²⁶

In February, the Centre for Cities (CfC) published the results of a survey, conducted jointly with PricewaterhouseCoopers in autumn 2007, of local government, business and third sector leaders in England. The results indicated high levels of support for greater financial devolution to fund local infrastructure supporting economic development. CfC claims it gives 'a clear indication of the growing demand for greater infrastructure investment – and more local revenue-raising powers – in England's cities and towns'.²⁷ The key findings were that 81 per cent of all respondents said there was an urgent need for increased investment in local infrastructure (especially transport) with a mere 10 per cent supporting the status quo of the current funding regime. 86 per cent are in favour of the new funding tools under consideration such as supplementary business rates. The findings are perhaps not terribly surprising, given that local stakeholders are unlikely to quibble with the notion of greater decentralised powers, but it does perhaps suggest that there is a growing appetite for and expectation of implementation of at least some of the menu of options for 'financial devolution'.

Also in February, the NLGN published a provocative study of the geographical distribution of the residential addresses of board members of 'quangos' (also known as Non-Departmental Public Bodies). Their survey of 1000 quango board members showed that there was a very heavy skewing towards London and the South East.

²⁵ See www.esrcsocietytoday.ac.uk/ESRCInfoCentre/opportunities/current_funding_opportunities/spatial_economics.aspx

²⁶ See DCLG Press Release, January 14, www.communities.gov.uk/news/citiesandregions/648133

²⁷ Centre for Cities and PricewaterhouseCoopers, Financial Devolution for Local Growth, see www.pwc.com/Extweb/onlineforms.nsf/docid/2980DA08CBA42225852573E50053EF34?opendocument

Despite London representing only 15 per cent of the English population, it has 36 per cent of all board members, whereas the Northern Regions and the South West are markedly under-represented. As NLGN persuasively argues, this matters because quangos are, despite being accountable to ministers, somewhat shaded from public scrutiny, a problem that is exacerbated when the different parts of the country are not fairly represented on boards. The key point is that quangos, like other aspects of the state, remain highly centralised around Whitehall and Westminster, though NLGN also identified spatial concentrations of board members within and between the other regions. In conclusion, NLGN make a number of specific recommendations for increased 'democratisation' of quangos, including moves towards greater regionalisation of quangos on the principle of subsidiarity, and a 'progress stock-take' on the implementation of Michael Lyons' 2004 recommendations for public sector relocation.²⁸

Previous papers in the IPPR North's Northern Economic Agenda series were discussed in the last monitoring report. The fourth in the series was published in February. *Moving On: A progressive transport policy for Northern England*, considers the economic, social and environmental performance and impacts of the transport system across the Northern regions. They argue that there should be three main objectives to policy:

1. The transport system should be structured to promote economic prosperity and growth.
2. The transport system should be designed and regulated to minimise adverse effects of transport on the environment and to ensure environmental sustainability in the long run.
3. The transport system should contribute towards reduction in inequalities and social exclusion wherever possible.²⁹

One of the key arguments they make is that transport investment is crucial for future economic development and a wider sense of well-being, and the Department for Transport should therefore be more explicit in making judgements about the distributional impact of investment decisions as part of its transport appraisal process.

²⁸ Leslie, C. and Dallison, O. (2008) *You've been Quango'd: mapping power across the regions*, at www.nlgn.org.uk

²⁹ Howard Reed, IPPR North, *Moving On: A progressive transport policy for Northern England*, February 2008, available at www.ippr.org/ipprnorth

5. Regions in Parliament

5.1 Deliberations on Regional Select Committees in the Modernisation Select Committee

The Select Committee on Modernisation in the House of Commons has continued to grapple with the issue of how to institute some form of accountability mechanism for the English regions – possibly including regional committees – holding five evidence sessions between January and March 2008.

A great deal of ground has been covered in these sessions with a number of issues emerging that illustrate the complexity of implementing regional committees. The Modernisation Committee is concerned about the perceived accountability gap at the regional level, in terms of the lack of clear lines of accountability from regional agencies to local authorities and MPs. Many witnesses agreed that there were indeed various forms of accountability gap. However, several RDA Chief Executives questioned on this issue noted they are already held accountable to Ministers and to Parliament, as well as working in partnership with local authorities and other regional stakeholders, and holding public ‘engagement’ events. They argued that further accountability mechanisms would merely complicate matters. It was also noted that regional agencies were increasingly working with sub-regional and city-regional groupings, precisely because of the coherence of such areas, and that continued engagement along these lines could prove more useful than additional parliamentary scrutiny. The growing city-regional agenda, which appears most relevant for the existing regional agencies, would seem to militate against the need for any form of pan-regional scrutiny/accountability format, which could risk making the accountability process labyrinthine.

Moreover, just trying to formulate an appropriate committee structure throws up considerable practical difficulties. Firstly, with a Select Committee format, the issue of political balance in the regions would be very tricky to overcome: in those regions where one party dominates, any grouping of MPs on the committee would fall foul of parliamentary rules on committee composition. On the other hand, the alternative model – grand committees involving all interested MPs from the region – may make for unwieldy and ineffectual bodies. Secondly, the resource implications of creating more committees were widely discussed, with a potential cost of £2.3m a year to service nine extra committees. It was thought by some witnesses that regional select

committees would clash with the existing committees in terms of being able to recruit MPs, finding enough space to meet, and, even more importantly, the types of issue they might address, as most thematic issues at the national level are already dealt with by the existing committee structure. In addition, there is still a great deal of uncertainty about the exact roles of the Regional Ministers, whether they themselves have the time and resources to discharge their regional remit (particularly as they are not departmental budget holders), and whether they are meant to hold regional agencies to account and/or be held to account in turn by some form of committee. The potential dangers of regional select committees were emphasised by the Chairman of the Liaison Committee, Mr Alan Williams:

Can I, on behalf of the Liaison Committee and myself, make this point? So far as we are concerned, what we are worried about is the problem of overlap, conflict for resources and priority of access to witnesses, and so on... The select committee approach will inevitably mean that, for example, on major statements - say the Department for Health makes a major statement - every region will have an interest in it, every MP will want to be finding out about his own particular position. Therefore, there is a danger of a clash for resources. We are concerned that, in whichever system you devise, the existing select committee should have priority in witnesses and in access to evidence, but of the two principal ones, as I see it (the nine grand committees and the nine select committees), it would seem to me that the nine select committees are, from our point of view, the most dangerous. They will demand resources, and I know you have had a paper on this, but it would mean you would need to find an extra 81 members to put on committees, and the whips will tell of the difficulties they are having at the moment. They would have to be staffed, having a committee clerk each and about a dozen back-up staff over the whole lot.

In the meantime, the argument in favour of regional parliamentary committees was perhaps best stated by Chairman of the DCLG Committee Dr Phyllis Starkey:

I think we need some sort of committee structure at a parliamentary level to hold to account regional ministers and also to scrutinise a fairly limited number of regional bodies, such as, obviously, in the RDAs, also strategic health authorities, learning and skills councils, maybe slightly more. I do not think the DCLG Committee ever thought that these regional select committees would be quite as other select committees, to get that out of the way, and, indeed, are not particularly wedded to the select committee model because we did not, in our inquiry, have the time to look at the various different options, nor was it appropriate for us, for the form which these parliamentary regional

committees would take.

The various potential forms that committees might take were outlined by committee member Simon Hughes:

Can I ask each of our colleagues: of the various models that are now being floated around because things have moved on again, as Phyllis rightly said, which at the moment have any attraction and which do not? To list what I think are on the agenda: we have a form of select committee of MPs, we have a form of grand committee of all the MPs from that region (which seems to me to be a different beast, a mini-Parliament, in effect), we have the idea that they might sit here or they might sit out in the region, or both, and then there are further suggestions which colleagues want to pursue that they might be hybrid species that have separate accountability, locally and nationally.

Witnesses discussed the merits of each potential model, and there was some support for the 'hybrid' model, as outlined by Phyllis Starkey:

Finally, the hybrid committee, and this is my personal view: I think a hybrid committee is very interesting. I do think there could be problems if you continue to have scrutiny at a local government level and at parliamentary level competing one with another. It would be much more effective, it seems to me, to have some sort of hybrid model which brought together MPs and leaders of councils, or however councils chose to represent themselves... and I think that there would be huge merits in trying out a completely different model, combining parliamentary and local authority scrutiny. Apart from anything else, it would get over all the problems that have been outlined by Alan of these committees creeping ever upwards to try and be the same as a select committee. It would make it clear from outset that they were a completely different body and it would provide a link between local authorities and Parliament.

The option of bringing together councillors and MPs in the regional committee to scrutinise RDAs' work was supported by the chair of the chief executives of the RDA network, Tom Riordan, who gave evidence at the first session. He suggested that such an option would be understandable by the public and would solve the problem of party balance. The 'mixed' select committee model is also supported by the Local Government Association.³⁰

It appears that progress has been made in clarifying that any form of regional

³⁰ Drillsma-Milgrom, D. 'Riordan pushes for joint committee scrutiny role', Local Government Chronicle, 7 February 2008

committee would be concerned first and foremost with issues specific to each region, and that overarching policy issues would still be dealt with by the more existing departmental select committees. However, as noted, there appears to be some way yet to go and an idea that was floated in the summer of 2007 is still far from becoming a reality. The committee is expected to report in the summer of 2008.

5.2 Parliamentary debates

No major debates were conducted of direct relevance to the regional governance debate.

6. Regeneration and Location Policy

The current monitoring period has been relatively quiet in terms of announcements about significant investments that are likely to influence spatial development patterns. One decision that was announced, however, confirmed what has seemed all-but-inevitable since Gordon Brown took over as Prime Minister; that the plan to develop a super-casino in East Manchester has now formally been abandoned, albeit that the other sixteen, smaller casinos that formed the rest of the package recommended by the independent Casino Advisory Panel in 2007 will be allowed to proceed. Negotiations between Government, headed by DCLG Secretary of State Hazel Blears, and Manchester City Council about a potential alternative to the casino development were ongoing during the monitoring period. The prospects of identifying a project that could bring anything like the same level of investment, jobs and local economic spin-offs to East Manchester that would have been generated by the super-casino, however, appear remote – as was predicted by the Government’s own commissioned research. The one proposal that has been leaked to the regeneration press so far – that East Manchester become home to a new opera house – appears to fall significantly short on all three criteria. It remains to be seen whether or not a more appropriate alternative can be agreed upon.

In recent years the trade magazine *Regeneration and Renewal* has compiled a list of the one hundred biggest regeneration schemes in the UK, and this year’s list contained the perhaps unsurprising result that the cost of regeneration projects planned for London and the South East totalled more than those for the rest of the country put together.³¹ Of the one hundred projects that make up a total investment of £86.8bn, thirty one of the schemes, totalling £47.6bn, are in London and the South East. Further:

- The single largest project is London’s Olympic Park, at £6bn;
- London itself has the largest total investment of any region or nation, followed by the South East and then Scotland;
- £18.5bn of projects are in the Thames Gateway, with a further £6bn in Greenwich.

The increase in London’s dominance of the list partly reflects the firming up of schemes such as the Olympics Park, where plans are more advanced than they were last year. But equally, land values and construction costs are much higher in

³¹ Ross, M. Exclusive – South seizes renewal investment, *Regeneration and Renewal*, 7 March 2008

the South East so projects are correspondingly more expensive. Although it can be argued that such surveys need to be treated with caution as they are a partial snapshot of total public and private investment in different territories, Regeneration and Renewal claim they applied strict criteria to submitted projects, and bearing this in mind it remains an interesting account of the broad scale contrasts in major infrastructure and regeneration projects between different parts of the country. The table below gives a flavour of both the scale and the London-centricity of the top ten regeneration projects.

Figure 6.1: The Ten Largest Regeneration Schemes by Total Investment Required

Location	Total Investment required	Main investor
1 Olympic Park, East London	£5.99bn	Olympic Delivery Authority
2 Leith Docks and Western Harbour, Leith Docks and Edinburgh	£4.51bn	Forth Ports, Taylor Wimpey, FM Developments, Gregor Shore
3 Wembley City, Brent, North-west London	£4.46bn	Quintain Estates & Development, Hilton Hotels, London Development Agency, College of North West London
=4 Brent Cross Cricklewood, North-west London	£4bn	Hammerson, Standard Life, Multiplex, North-West London Waste Authority
=4 Greenwich Peninsular, North Greenwich	£4bn	English Partnerships, Housing Corporation, Lend Lease, Quintain Estates & Development
6 Canning Town and Custom House, Newham, East London	£3.85bn	Countryside Properties, Affinity Sutton, English Cities Fund, London Borough of Newham, London Thames Gateway Development Corporation
7 King's Cross, Central London	£3.35bn	Argent Group, London and Continental Railways, Network Rail, London Underground
8 Ebbsfleet, North Kent (near Bluewater shopping centre)	£3bn	Land Securities, Countryside Properties
=9 Granton Waterfront, North of Edinburgh city centre	£2bn	National Grid Property, Waterfront Edinburgh, Forth Ports, City of Edinburgh Council and Scottish Enterprise
=9 Stratford City, East London	£2bn	Westfield Group, London & Continental Railways

Source: Ross, M. Exclusive – South seizes renewal investment, Regeneration and Renewal, 7 March 2008

7. EU Issues

In our last report we gave details of the new allocations of £2.1bn of structural funds over the period 2007-2013 and noted that ERDF funding will now be managed by the RDAs (the full list of allocations with the priorities of each region is given below).³² Although the funds are less than in the previous round they do give the development agencies a considerable boost in cash. For example the North West Development Agency (NWDA) will have an extra £74m to spend each year and One NorthEast (the RDA for the North East) will have extra £36m.

Figure 7.1: Funding Allocations and Spending Priorities for the RDAs

RDA	2007-13 ERDF allocation	Priorities for spending
NWDA	£521m	Stimulating enterprise and supporting growth.
ONE North East	£255m	Enhancing and exploiting innovation, and promoting business growth and enterprise.
Yorkshire Forward	Around £380m	Developing sustainable communities and promoting innovation.
EEDA	£80m	Helping companies respond to the economic challenges and opportunities of climate change.
SEEDA	£15m	Promoting competitiveness while cutting the region's ecological footprint.
EMDA	£182m	Productivity and innovation, plus economic and enterprise support for disadvantaged communities.
WMDA	Information unavailable at present	
SWERDA	Information unavailable at present	

Source: Carpenter, J., Brussels backs RDAs' regional aid proposals, *Regeneration and Renewal*, 11 January 2008

In our last issue we also reported on the European Commission's concerns about the standards of accounting and monitoring applied to earlier ERDF spending in some English regions. This had led to a decision by the European Commission to freeze further payments to the six English regions concerned, though by November all of the

³² M. Burch, A. Harding and J. Rees, *Unequal Regions: A growing imbalance?* English Regions Monitoring Report, Constitution Unit, London, January 2008, p. 40

problem regions, with the sole exception of the North West, had been deemed to have met EU standards. The North West's problems continued into 2008 and in March the Commission announced that the UK Government had failed to resolve weaknesses in the way it handles ERDF cash in the North-West and that a fine of £17.8m would be imposed. The Commission claimed that this fine was far less than that originally envisaged (believed to be about £40m). DCLG announced that the fine would be paid by central government.

On a more positive note the UK Government agreed to allow RDAs to draw up plans to use a new EU-backed investment tool for urban areas: the Joint European Support for Sustainable Investment in City Areas (Jessica). This allows EU member states to invest a portion of their structural funding in urban regeneration projects and to get a return on those investments. The funds can be channelled through local asset-backed facilities, which use public assets to lever in investment, and may be spent on urban infrastructure projects and brownfield redevelopment schemes. It is envisaged that the regional monitoring committees that scrutinise the spending of European funding, of which the DCLG is a member, would decide whether to approve the RDAs' plans. The European Investment Bank, which jointly runs Jessica with the European Commission, has agreed to fund a feasibility study for the use of the scheme in London. The London Development Agency has announced that it plans to spend up to £30m of the £135m of European Regional Development Fund cash it has been allocated between 2007 and 2013 through Jessica.

8. Finance

There were no significant developments regarding finance other than those noted above concerning the EU structural funds. However, it was announced in the preview of the October 2008 Queen's Speech that a business rate supplements bill will be introduced in 2008-2009 which will allow large metropolitan and county councils to levy up to 2p extra business rates for long-term infrastructure projects such as urban rail and tram systems.

9. Local Government

The local elections held on 1 May 2008 proved to be more of a story than those of the year before, throwing up a very significant reversal for the governing party in what was interpreted by many commentators as a damning verdict on the Brown government, reeling as it was from the controversy over the scrapping of the 10p tax band and from a succession of mishaps in the autumn of 2007. The headline figure was that nationally Labour slumped to third place behind the Liberal Democrats with 24 per cent of the vote. The Conservatives won 44 per cent of the vote, the best result for them since John Major won 46 per cent of the vote in the 1992 local elections. This translated to a net gain for the Tories of 260 seats, and 12 councils. Several of these councils were major symbolic gains, perhaps most the important of which was Bury, where victory marked the first major headway the party had made in the north of England since 1997. Significantly, the party experienced a revival in diverse parts of the country. As well as wresting control of Nuneaton and Bedworth in the West Midlands from Labour, who had held it since 1974; they gained North Tyneside and won seats in other North East councils; and won Southampton, a council they lost in 1984. They also took control of Harlow in Essex.

Shockingly for Labour, they lost heavily in Wales, losing control of Merthyr Tydfil, Blaenau Gwent, Torfaen and Caerphilly, as well as Flintshire. In other psychologically damaging results, they lost Reading to No Overall Control, and although they had hoped to gain Liverpool from the Liberal Democrats, an independent councillor agreed to join the Liberal Democrats after the vote, allowing them to remain the ruling party. Labour did, however, manage to gain control of Durham and Slough, and on the whole did not suffer any hugely embarrassing blows in Northern cities. As well as retaining control of Liverpool, the Lib Dems did win back Hull, and gained six seats in Sheffield to take control of the council for the first time since 2000.

10. Conclusion

This has been a period of working through business in the pipeline that has been placed on the agenda as a result of the Sub-National Review and the Brown Government's governance package introduced in June 2007. Of these two strands of policy development the more interesting from a regional perspective has been the development of the SNR proposals. The process involved is characteristic of the approach to sub-national reform that has been adopted since the 2004 North East referendum. In essence initiatives are designed to build upon what already exists at grass roots level rather than to impose a Whitehall blueprint. This bottom-up approach raises numerous problems: it is piecemeal and slow on delivery, and it depends on a high degree of consensus and cooperative working at the sub-national level, which, given the localism of English local government, would in many instances be difficult to achieve. Such an approach to policy making does have the benefit of flexibility, however, allowing new proposals to be introduced as the process of consultation and engagement goes on. It also has the potential to produce arrangements over time that actually map more closely with the varied spatial patterns of economic development in England. An important marker for the future which has emerged during the consultation and implementation phase of the SNR is the proposal for statutory, legally-binding city-regional structures. These, it is claimed, will 'enable funding and responsibility to be devolved or delegated directly to the sub-region, rather than to individual local authorities or to one local authority acting as the accountable body for a sub-regional partnership. Importantly, such arrangements would also bind in local authorities to long-term decision-making.³³ That latter point is important if it is to be ensured that maverick localities or changing patterns of political control in local authorities do not wreck whatever higher tier arrangements are created. What is clear, however, is that any move in this direction will initially engage few participants and will require legislation and financial support.

³³ DCLG and BERR, *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, 31 March 2008