

DEVOLUTION MONITORING PROGRAMME 2006-08

English Regions Devolution Monitoring Report
January 2008

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

ipeg
Institute for Political and
Economic Governance
at The University of Manchester

The Devolution Monitoring Programme

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

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

Scotland:	Charlie Jeffery Institute of Governance, University of Edinburgh
Wales:	Dr Richard Wyn Jones & Dr Roger Scully Institute of Welsh Politics, University of Wales, Aberystwyth
Northern Ireland:	Professor Rick Wilford & Robin Wilson Queen's University, Belfast
English Regions:	Martin Burch, Alan Harding & James Rees IPEG, University of Manchester
The Centre:	Akash Paun , The Constitution Unit, UCL

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Unequal Regions: A growing imbalance?

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ABBREVIATIONS USED	5
EXECUTIVE SUMMARY	6
CHRONOLOGY OF KEY EVENTS – SEPTEMBER TO DECEMBER 2007	8
1 MAIN DEVELOPMENTS	9
2 REGIONAL STRUCTURES	12
2.1 Regional Ministers	12
2.2 The Comprehensive Spending Review and Pre-budget report	14
2.3 Progress towards Regional Select Committees	15
2.4 Regional Development Agencies	16
2.5 Other regionalised agencies	17
2.6 Greater London	18
2.6.1 Greater London Authority	18
2.6.2 Greater London Infrastructure Projects	20
2.6.3 The Olympics	22
2.7 City-Regions	24
3 PARTY POSITIONS ON REGIONAL ISSUES	27
4 PUBLIC ATTITUDES, IDENTITY AND RESEARCH	29
5 REGIONS IN PARLIAMENT	33
5.1 Regions and the Parliamentary Programme	33
5.2 Parliamentary debates	33
6 REGENERATION AND LOCATION POLICY	38
7 EU ISSUES	40
8 FINANCE	41

9	LOCAL GOVERNMENT	42
10	CONCLUSION	44

Abbreviations Used

ALG	Association of London Government (renamed London Councils)
Bliss	British Library International Science Site
CSR07	Comprehensive Spending Review 2007
DBERR	Department for Business, Enterprise and Regulatory Reform
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
IPA	Independent Performance Assessment
IPPR	Institute for Public Policy Research
LAA	Local Area Agreement
LGA	Local Government Association
LGPIH	Local Government and Public Involvement in Health Act
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
ODA	Olympic Delivery Authority
ONE	One North East (RDA)
RDA	Regional Development Agency
RES	Regional Economic Strategy
RSC	Regional Select Committee
RSS	Regional Spatial Strategy
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SWRDA	South West Regional Development Agency

Executive Summary

- The regional ministers initiative is bedding down very slowly, while the proposal to establish some system of regional select committees in the House of Commons is being examined by the Modernisation Committee.
- The Comprehensive Spending Review (CSR07) in October set a tight public expenditure settlement for 2008-11, with a real increase in spending of 2.1 per cent per year over the period. The nine Regional Development Agencies face spending cuts of an average of 6 per cent over the period.
- The Housing and Regeneration Bill was introduced to Parliament on 15 November, making provision for the creation of the Homes and Communities Agency.
- The Planning Bill, which will create the Infrastructure Planning Commission, was introduced to Parliament on 27 November.
- The Greater London Authority Act came into law conferring additional powers on the Mayor of London and the London Assembly. The Mayor now has lead roles in housing and tackling climate change, and strengthened powers over planning, waste, health and culture.
- Campaigning began for the London Mayoral elections with Ken Livingstone seeking a third term for Labour, Boris Johnston selected on the Conservative ticket, and Brian Paddick standing for the Liberal Democrats. Opinion polls showed a close race between Livingstone and Johnson with the incumbent marginally ahead.
- London's £16bn Crossrail project got the go ahead and a promise of at least £5bn of public investment. The scheme – linking East and West London – is expected to be completed by 2017. In addition the Thames Gateway project is to receive an initial £9bn of public investment.

- Plans for implementing a practical manifestation of 'city-regional thinking' gathered pace, with the announcement of the first round of thirteen sub- and city-regional groupings of local authorities who are intending to form Multi-Area Agreements (MAAs).
- Responsibility for spending European Regional Development Funds (ERDF) has been transferred from Government Offices to the Regional Development Agencies.
- A Central-Local Concordat was signed between DCLG and the LGA on 12 December, enshrining a framework of partnership, rights and responsibilities between the two.

Chronology of Key Events – September to December 2007

27 September	Labour Party conference ends with speculation growing that an autumn election will be called
30 September	Conservative Party conference begins in Blackpool
5 October	It is confirmed that Crossrail will go ahead, with funding from the Treasury forthcoming
7 October	Brown announces that an election will not be held until 2009
9 October	Comprehensive Spending Review and Pre-Budget Report are released together
23 October	Greater London Authority Act receives Royal Assent
28 October	Conservative Malcolm Rifkind proposes an 'English Grand Committee' as a form of 'English Votes on English Laws'.
30 October	The Local Government and Public Involvement in Health Bill is enacted.
6 November	Queen's Speech marks opening of 2007-08 parliamentary session.
7 November	List of proposed MAAs announced by Communities Secretary Hazel Blears
15 November	The Housing and Regeneration Bill is presented to Parliament by Communities Secretary Hazel Blears
22 November	Department for Transport's public consultation on a third runway for Heathrow airport begins
27 November	The Planning Bill is published, making provision to establish the Infrastructure Planning Commission
29 November	Thames Gateway Delivery Plan launched by DCLG
20 December	European Commission approves North West's operational programme for 2007 to 2013

1 Main Developments

This monitoring period opened with Gordon Brown – following a summer ‘honeymoon’ period, in which he rode high in the opinion polls – embarking on an increasingly public discussion with his inner circle about whether to hold a snap election in the autumn to cement his democratic mandate. This sparked frenzied speculation in the media, and culminated around the time of the Labour Party conference at the end of September when, according to ‘informed’ rumour, an election was virtually certain to be called on 7 October, days before Chancellor Alistair Darling’s presentation of the Comprehensive Spending Review and Pre-budget Report. In the event, Brown hunkered down with key advisors, and, faced with apparently declining poll ratings, announced on Saturday 6 October that an election would not be called stating, in an interview with Andrew Marr broadcast on the Sunday, that he needed more time to outline his ‘vision’ to the electorate.¹ The Conservatives leapt on this equivocation, portraying it as a moment of supreme indecision and weakness, not entirely unconvincingly.

The non-election débâcle marked the beginning of a period of extreme bad luck for, or – according to perspective – bad management by the Government. In November it came to light that 25 million child benefit records had been lost by HM Revenue & Customs, an issue which the government found hard to contain. Other lost data scandals came to light in the following weeks, across a variety of government agencies. Meanwhile by the end of November a much more damaging controversy was emerging, centring on the issue of ‘disguised’ donations to the campaigns for the deputy leadership of the Labour party earlier in the year. Pensions and Welsh Secretary Peter Hain was under particular pressure for failing to register a £5,000 donation to his campaign, pressure that eventually led to his resignation in January 2008.

Also highly problematic for the Government were the continuing problems afflicting UK bank Northern Rock. Initially a victim of the ‘credit crunch’ in wholesale finance markets as a result of the US sub-prime mortgage lending crisis, growing uncertainty caused a run on the bank in August, necessitating continuing efforts by the Chancellor and financial regulators to find a buyer for the ailing bank throughout the autumn. Again,

¹ BBC News, ‘Brown rules out autumn election’, 6 October 2007, at: http://news.bbc.co.uk/1/hi/uk_politics/7031749.stm

Brown and Darling were accused of 'dithering', although in truth the affair was highly complex, and much of the criticism was driven by the pursuit of political capital. Nevertheless, the problems seemed to become emblematic of growing uncertainty and gloom in the real economy. With the mortgage crisis and predicted slow-down in the US gathering pace in the latter half of 2007, there were inevitably growing fears of the contagion spreading to the UK. It is therefore plausible that political jitters combined with a potentially genuine economic downturn might create a momentum for change that could impact in significant ways on the sub-national arrangements that are the focus of this monitoring series.

Returning to more prosaic developments, the most significant event of the period was the Comprehensive Spending Review (CSR07), which was published alongside the Pre-Budget Report in October.² This set a tight public expenditure settlement for the 2008-11 period, including a cut in the budgets for the nine Regional Development Agencies (RDAs) by an average of 6 per cent over the period. In contrast, spending on local government is projected to rise by 1 per cent a year, thereby enabling local authorities, at least in the eyes of the Chancellor, to take on the bulk of responsibility for 'driving' the improvement in economic performance expected by Government, as set out in the Sub-National Review of Economic Development and Regeneration (SNR) in July 2007.³ A persuasive argument can be made that this sets out the broad policy contours of sub-national development in the coming years: a 'hollowing out' and streamlining of economic development at the regional level, with considerable devolution to local government.

In marked contrast to the decentralist thrust of the SNR, CSR07 gives the green light to a significant set of 'super-investments' in London and the greater South East. The £16bn Crossrail project was given the go-ahead four days before CSR07 appeared, while the CSR itself committed £3.6bn towards the construction costs of the Olympics (overall budget currently estimated at £9.3bn). Taken with other projects such as the Thames Gateway, and related housing and infrastructure investments, it is likely that the disparity

² HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, 9 October 2007, at: www.hm-treasury.gov.uk/pbr_csr/report/pbr_csr07_repindex.cfm

³ HM Treasury, Department for Business, Enterprise & Regulatory Reform, Department for Communities and Local Government, *Review of sub-national economic development and regeneration*, July 2007, London: The Stationary Office.

in public expenditure between the Greater South East and the other English regions will continue to grow. This will put increasing pressure on the explicit Government aspiration to reduce the gap in economic growth rates between the regions as expressed in the Regional Economic Performance PSA target. But more importantly – and the distributional economic impacts of the 2012 Olympic Games themselves could make an interesting case study of this – there may be emerging an increasingly problematic economic imbalance between the London mega-region and the rest of the country.

2 Regional Structures

2.1 Regional Ministers

The creation of regional ministers in June 2007 was noted in our last report,⁴ since when the experiment has been bedding down. There has been some clarification of the role of these nine junior ministers. They are expected to be a visible presence in their region, leading on specific issues and championing the region at high-level events. They are also required to advise the Secretaries of State for Business, Enterprise and Regulatory Reform and Communities and Local Government on the approval of the integrated regional strategies and on RDA Board and other regional appointments.⁵ They do not have a separate budget. Instead they are supported by the relevant Government Office for the Region (GOR) and are expected to work very closely with the RDAs, although oversight of the work of the GORs and the RDAs remains the responsibility of the Secretaries of State for DCLG and DBERR respectively. Regional ministers remain accountable for their departmental roles to their departmental Secretary of State, but 'on regional issues accountability is held to depend on the issue in question'.⁶ It remains unclear as to who is responsible for regional ministers at cabinet level.

The number of personnel being dedicated to the regional ministers exercise was, in late October 2007, one full-time equivalent person within DCLG plus support from each GOR as indicated in the table below.⁷

⁴ M. Burch, A Harding and J. Rees, *English Regions Devolution Monitoring Report: September 2007*, London: The Constitution Unit, p. 6.

⁵ DCLG and BERR, *Taking forward the Review of Sub-national Economic Development and Regeneration*, London: DCLG, December 2007, p. 9.

⁶ See GOEast of England web-site, www.gos.gov.uk/goeast/our_region/584228

⁷ John Healey, HC Deb, 25 October 2007, Col. 159.

Figure 1: Regional Ministers and GOR staff commitment (as at Oct 2007)

	Full-time equivalent
Tessa Jowell MP (London)	1.0
Jonathan Shaw MP (South East)	2.0
Ben Bradshaw MP (South West)	2.5
Barbara Follett MP (East)	2.0
Gillian Merron MP (East Midlands)	3.5
Liam Byrne MP (West Midlands)	1.0
Beverley Hughes MP (North West)	2.5
Nick Brown MP (North East)	1.0
Caroline Flint (Yorksire and the Humber)	1.0

Note: all posts are a redeployment of existing GOR resources, not new posts⁸

All the indications are that the regional minister initiative has got off to a slow and patchy start. Most have undertaken a series of visits in their region and helped to launch regional documents and initiatives. For example, Liam Byrne (West Midlands) launched his region's economic and draft spatial strategies,⁹ Beverley Hughes (North West) held meetings with RDA and GOR officials and took part in discussions concerning economic growth in the Warrington area¹⁰ and Jonathan Shaw (South East) had by the end of January 2008 visited more that 20 towns in his region to discuss aspects of economic strategy, co-ordination and delivery.¹¹ No clear pattern is emerging, however, and, while it may be too early to reach a judgement on the success of the exercise, initial signs suggest a rather ill co-ordinated effort without a clear sense of how the initiative is expected to feed into, and impact on, the actual operations of central government.

On 24 January 2008, as a result of the re-shuffle following the resignation of Peter Hain from the Cabinet, two of the regional portfolios changed hands: Rosie Winterton replaced Caroline Flint as Minister for Yorkshire and the Humber following the latter's promotion to the Cabinet, and Phil Hope replaced Gillian Merron as Minister for the East Midlands. Winterton and Hope kept their respective existing jobs as Minister of State at

⁸ John Healey, HC Deb, 29 October 2007, Col. 680.

⁹ See www.go-wm.gov.uk

¹⁰ Yvette Cooper, HC Deb, 17 January 2008, Cols. 1475-1476.

¹¹ Parmit Dhanja, HC Deb, 25 January 2008, Col. 2335.

the Department for Transport, and Parliamentary Secretary in the Cabinet Office with particular responsibility for the 'Third Sector'. These changes conformed with the practice, noted in our previous report, that regional ministers should not be drawn from the ministerial ranks of either the DCLG or DBERR as these are the lead departments on regional policy. The re-shuffle has also resulted in the new Secretary of State for Wales, Paul Murphy, being appointed as Chair of the Cabinet Committee on Local Government and the Regions (DA LGR).¹²

2.2 The Comprehensive Spending Review and Pre-budget report

As widely predicted, the CSR07 announcement on 9 October 2007 heralded the start of a slowdown in public spending growth. It made provision for a real terms increase in public spending of 2.1 per cent a year over the 2008-11 period, with current spending rising by 1.9 per cent a year and capital spending by 2.25 per cent a year. Individual service areas fared differently. Spending on health is due to rise by 4 per cent a year and education, science and transport each received smaller but sustained increases. Spending on local government (which will be responsible for much of the improvement in economic performance expected by Government following the Sub-National Review of Economic Development and Regeneration) is projected to rise in real terms by 1 per cent a year, a figure which the Chancellor suggested should enable local authorities to contain council tax increases within 5 per cent a year. This was described, by Sir Simon Milton, Chairman of the Local Government Association (LGA), as 'the toughest financial settlement for local councils in a decade'.¹³ The LGA welcomed the Government's promises to consolidate various specific funding streams into general grants, and to reduce the number of indicators of local authority performance from the current 1200 to a 'mere' 198. However it argued that the settlement would do no more than maintain the status quo, leaving council tax payers to pick up the tab for additional policy commitments that Whitehall expects local government to deliver.

The CSR does not set out the implications of the overall public spending settlement for individual regions. One indication of the limited priority attached to regional development however, is seen in the fact that budgets for the nine Regional Development Agencies face cuts of an average of 6 per cent over the spending period. By way of contrast,

¹² See www.pm.gov.uk/output/Page14382.asp

¹³ 'Tough town hall settlement means likely council tax rise of 4%', *Public Finance Magazine*, 25 Jan 2008, see www.publicfinance.co.uk/news_details.cfm?news_id=32102

CSR07 confirmed some significant capital investments in London and the South East, with the Olympic Games, alone, receiving a contribution of £3.6bn towards construction costs during the spending period. Crossrail was also given the green light four days before CSR07 appeared (see below). When making the Crossrail announcement, shortly before it was expected he might call a snap General Election, the Prime Minister argued that 'this is a project of enormous importance not just for London but for the whole country. By generating an additional 30,000 jobs and helping London retain its position as the world's pre-eminent financial centre, it will support Britain's economic growth and maintain Britain's position as a leading world economy.'¹⁴

When these two substantial 'super-investments' are added to a range of other plans for growth areas and infrastructure development in the greater South East, it will be surprising if the 2008-11 period sees any reversal in previous trends in identifiable regional public expenditure,¹⁵ which have been for spending per head to grow more quickly in London, the South East and the East of England than in the other English regions. This is expected to result in a move to refine the Regional Economic Performance PSA target of reducing the gap in growth rates between fastest and slower growing regions. An early indication of the difficulties that the Government faces is likely to come when the RDAs announce their regional growth targets. If, as expected, higher targets are set in the greater South East than elsewhere, this will inevitably be interpreted as evidence of a dwindling commitment to reducing inter-regional differences.

2.3 Progress towards Regional Select Committees

In the Sub-National Review published in July 2007, and also in the same month's *Governance of Britain* green paper, the Government raised the possibility of creating regional select committees.¹⁶ Since then, however, little progress has been made. In a number of parliamentary questions later in July, ministers avoided giving any firm details but promised that Parliament would be given opportunities to debate the issue. However, the motions needed to establish regional select committees were not placed on the

¹⁴ DfT Press Release, 'Crossrail gets go ahead as funding deal secured', 5 October 2007, at www.gnn.gov.uk/content/detail.asp?ReleaseID=320174&NewsAreaID=2&NavigatedFromSearch=True

¹⁵ M. Burch, A. Harding and J. Rees, (forthcoming) 'The English Regions and London', in A. Trench (ed.), *The State of the Nations 2008: Into the Third Term of Devolution in the UK*, London: UCL Constitution Unit.

¹⁶ HM Treasury et al, *Review of sub-national economic development and regeneration*, op cit, p. 96; Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007, at: www.officialdocuments.gov.uk/document/cm71/7170/7170.pdf, p. 38.

Order Paper on 25 July, when changes to other select committees were being debated.¹⁷ Parliament went into recess the following day, postponing the issue until at least the autumn.

On 11 October 2007 the Select Committee on Modernisation of the House of Commons announced a series of inquiries into aspects of the Governance of Britain agenda. The one that appears to pick up the task of taking forward the Select Committee proposals is that on 'Regional accountability'. According to the Modernisation Committee, the scope of the inquiry is as follows:

The Governance of Britain green paper suggested proposals to improve democratic accountability and scrutiny of the delivery of public services in the English regions. We believe it is important to look at the question of regional accountability. The Committee invites submissions on:

- what models of accountability might work;
- what the role of the House should be in regional accountability;
- what resources would be needed to make regional accountability work in the House of Commons.¹⁸

Broadly, what this inquiry appears to be addressing are some of the major questions left unresolved by the *Governance of Britain* green paper and Sub-National Review. Namely: the issue of how strengthened RDAs will be held accountable, and to whom, within the region; the exact roles of Regional Ministers and putative Regional Select Committees within the House in holding them to account; and, if Regional Committees are to be set up, how they will be resourced and serviced. Submissions on the regional accountability theme had to reach the Committee by 23 November and the inquiry is expected to begin in January 2008.¹⁹

2.4 Regional Development Agencies

The headline news of this monitoring period was the announcement in the CSR that funding for the RDAs' Single Pot would be cut by an average of six per cent on current

¹⁷ See House of Commons Library, *The proposed regional select committees and the future of regional assemblies*, 31 July 2007.

¹⁸ See Modernisation Select Committee website.

www.parliament.uk/parliamentary_committees/select_committee_on_modernisation_of_the_house_of_commons/modcompn241007.cfm

¹⁹ Ibid.

levels over the period 2008-11. This means the Single Pot will be £2.14bn in 2010-11, compared to £2.274bn in 2007-08.²⁰

The Regional Minister for the West Midlands, Liam Byrne, officially launched the region's Economic Strategy, dubbed *Connecting to Success*, on 10 December, alongside the draft Spatial Strategy. Advantage West Midlands, the region's RDA, claimed that this was the first time a region had developed the two regional strategies using a common evidence base.²¹

2.5 Other regionalised agencies

After a year of discussion about the details of the agency created by the merger of the Housing Corporation and English Partnerships, and its powers and responsibilities (see previous monitoring reports), the new Homes and Communities Agency (HCA) was announced in the Queen's Speech:

Available and affordable housing is one of my Government's main priorities. Legislation will be introduced to create a new Homes and Communities Agency that will deliver more social and affordable housing, and promote regeneration.²²

The Housing and Regeneration Bill was duly introduced to Parliament on 15 November 2007. This confirmed the creation of the Homes and Communities Agency, and sets out its role and powers:

The main objects of the HCA will be to improve the supply and quality of housing in England; to secure the regeneration or development of land or infrastructure in England; and to support in other ways the creation, regeneration or development of communities in England or their continued well-being.²³

Not surprisingly then, a key focus is the delivery of more homes, in line with the strong emphasis on housing expansion set out in the Housing Green Paper in July.²⁴ The major rationale for the HCA is the bringing together of powers over land acquisition with the

²⁰ Figures quoted in 'Regeneration and Renewal', 9 October 2007.

²¹ Advantage West Midlands Press Release, 10 December 2007, at www.advantagewm.co.uk/news-media-events%5Cnews%5C2007%5C12/west-midlands-economic-strategy-launched-by-regional-minister.aspx

²² Queen's Speech, HL Deb, 6 November 2007, Cols. 1-5.

²³ Explanatory Notes on the Housing and Regeneration Bill [Bill 8], see www.publications.parliament.uk/pa/cm200708/cmbills/008/en/2008008en.pdf

²⁴ Department for Communities and Local Government, *Homes for the future: more affordable, more sustainable*, 13 July 2007, at www.communities.gov.uk/documents/housing/pdf/439986.

investment in new housing, facilities and infrastructure, driving through housing delivery in this new expansionary framework. It will also work with local councils on delivering some of the 10 new eco towns the Prime Minister has pledged by 2020, and offers the potential to remove barriers to councils building more social housing. The powers of the HCA are largely modelled on those of the Urban Regeneration Agency, which the Bill will abolish. The Bill also creates the Office for Tenants and Landlords (Oftenant), which will be the regulator of social housing.

At this time it is still unclear whether the new agency will have a regionalised structure, but it will certainly have important implications for functions – planning, housing and regeneration – that are linked to the regional scale. It is expected to be operational by April 2009. DCLG announced on 18 December that Sir Bob Kerslake, formerly Chief Executive of Sheffield City Council, would be HCA's first Chief Executive.

2.6 Greater London

Four developments were especially pertinent to Greater London over the monitoring period: a substantial strengthening of the powers of the Mayor and the Assembly; the beginning of the electoral contest for the Mayoralty; crisis in the finance sector; and a considerable commitment of UK public funds to London infrastructure projects.

2.6.1 Greater London Authority

On 23 October the Greater London Authority (GLA) Act received Royal Assent and came into law.²⁵ The Act grants the Mayor and the London Assembly considerable additional powers. In particular it gives the Mayor new lead roles in housing and tackling climate change, strengthened powers over planning and waste, and enhanced powers in health and culture.

Under the provisions of the GLA Act 2007 the Mayor will:

- Publish a London housing strategy, setting out his strategic housing investment priorities for London;
- Be able to determine planning applications of strategic importance in London;
- Publish a strategy for reducing health inequalities between Londoners;

²⁵ Office of Public Sector Information, *Greater London Authority Act 2007*, at www.opsi.gov.uk/acts/acts2007/ukpga_20070024_en_1

- Be subject to a duty to address climate change, and publish a London climate change mitigation and energy strategy and an adaptation to climate change strategy for London.

The Assembly will also be subject to a duty to address climate change, and will be able to hold 'confirmation hearings' in order to scrutinise candidates for key appointments put forward by the Mayor.²⁶ The Act also allows the establishment of a London Waste and Recycling Board to ensure that there is less waste and to encourage recycling and re-use of waste.

Overall the Act greatly strengthens the power of the Mayor and significantly extends the leading role in elected 'regional' governance that London institutions, alone among the English regions, have been granted since 2000. It strengthens the ability of the London region to order its own affairs and to lobby more effectively in key national policy making processes. If lobbying and influence are matters of proximity, which to some extent they are, then London is doubly favoured since the key policy networks are located in the metropolis. Some argue that the GLA is no more than a glorified local council. Yet clearly it is far more than that. It covers a large population, the Mayor controls a budget of £10.6bn (up from £3.8bn in 2001-2002) and the mayoralty is the biggest and most important directly elected sub-national office in the UK.²⁷

The issue of who should wield these powers in the years ahead was brought centre stage with the start of the campaign for the election of the Mayor – the poll will take place in May. As we predicted in our previous report Boris Johnson was chosen as the Conservative candidate in a selection poll open to all Londoners regardless of political affiliation, although participation required voters first to register on a £1 a minute phone line! Mr Johnson polled 15,661 of the 20,019 of the votes cast. The incumbent Mayor, Ken Livingstone, has been selected for Labour and Brian Paddick is standing for the Liberal Democrats. Opinion polls show a close race between Livingstone and Johnson with the incumbent marginally, by between one to four percentage points, ahead.

²⁶ DCLG, 'Greater London Authority Act receives Royal Assent', at: www.communities.gov.uk/news/corporate/522875

²⁷ 'Political capital', *The Economist*, 12 January 2008, p. 21.

This strengthening of the mayoralty, as well as the jockeying for position in order to seize it, has been taking place against the background of a crisis in the financial sector which may have profound effects on the London economy. The catalogue of pressures on the sector include the US secondary loans problem, the difficulties of the Northern Rock Bank, the declining value of London commercial property, and the slowdown in house price inflation in the UK generally. London's primacy within the UK economy reflects the growing importance of the largely London-based finance sector in the last decade. In 1997 the financial sector – insurance, banking and securities – made up 5.5 per cent of national output, by 2006 it made up 9.4 per cent of the economy. Moreover in recent years the City's role has expanded apace so that over the last three years the finance sector has been responsible for 30 per cent of overall GDP growth in the economy.²⁸ Any setback for the City is likely to be felt across the whole UK economy, although how serious the present difficulties are and how long they will last is a matter for speculation.

It is against this background of finance sector difficulties that considerable extra public funding is being committed to the Greater London regional economy, most notably through new spending commitments on Crossrail and the Thames Gateway.

2.6.2 Greater London Infrastructure Projects

The £16bn Crossrail project, which will link Maidenhead on the western edge of London with Shenfield in the east, was given the go-ahead in October 2007. This followed discussions with private sector partners about the amount of funding that they would be willing to contribute.²⁹ In the end it was agreed that the Government would be covering about a third of the cost with a public investment of more than £5bn. Businesses will pay a similar amount, partly through an increased supplementary business rate – a local top-up to the national business rate – and most of the rest will come from fares once Crossrail is up and running. In addition, in order to plug a £1bn funding gap, the City of London Corporation has pledged £350m, alongside similar voluntary contributions from the British Airports Authority (BAA) and Canary Wharf Group.

The plan is that trains carrying up to 1,500 people will speed along the 75-mile route 24 times an hour at peak times and travelling through 26 miles of tunnels. Work on the

²⁸ 'The City of London's tumble: After the Fall', *The Economist*, 1 December 2007, pp. 29-32.

²⁹ Dan Milmo, 'Minister tells City to stump up for Crossrail', *The Guardian*, 21 September 2007; 'Green light for Crossrail as City stumps up cash', *The Guardian*, 3 October 2007.

project is now expected to start in 2010 and to be completed by 2017. There is ongoing discussion about the construction of the southern part of the railway including Canary Wharf, and completion of this section may be delayed until 2020.³⁰ Crossrail is the biggest transport infrastructure project in the UK since the Channel tunnel rail link: it will increase London's public transport capacity by 10 per cent, and is projected to deliver economic benefits to the London economy of about £30bn over 60 years.³¹

The other key project is the Thames Gateway. On 29 November the Prime Minister and Housing Minister Yvette Cooper launched the Thames Gateway Delivery Plan, setting out for the first time how cross-Government investment of more than £9bn will be spent to deliver what the Government claims to be Europe's largest regeneration project. The plan reveals the projected number of jobs that will be created by the project – 225,000 by 2016 (up from the original target of 180,000) – and highlights a number of investment commitments including:

- A £200m Strategic Economic Investment Fund to support priority projects from the three southern RDAs' Thames Gateway Economic Development Investment Plan.
- A Pan-Gateway Skills Plan developed by the Learning and Skills Councils to invest £1.6bn in teaching and learning, and £850m in new building for further education.
- New and extended further and higher education campuses in Grays and Basildon, Swale and Medway, creating around 9,000 further education places.
- An allocation of £100m from the Community Infrastructure Fund to invest in 13 local transport schemes.
- Prioritising funding from the Thames Gateway programme to secure housing programmes in ten locations where extra homes are most urgently needed. These ten programmes are expected to deliver nearly 110,000 homes by 2016.
- The Housing Corporation to invest over £800m in around 15,000 affordable homes.
- Planned spending of over £600m in this CSR period as part of a longer term £1.4bn programme on new hospital provision serving the Gateway.

³⁰ Marianne Barriaux, 'Crossrail gets green light but doubts over completion date', *The Guardian*, 6 October 2007.

³¹ Graeme Wearden, 'Crossrail gets the go-ahead', *The Guardian*, 5 October 2007.

- Planned investment of £1.2bn on new or substantially refurbished school buildings in Gateway authorities, as well as £278m for Sure Start centres.³²

The development of the Thames Gateway and Crossrail, plus the £3bn upgrade of Thameslink, the creation of the fast line from London to Paris and Brussels, and the Olympics, collectively represent a commitment of more than £40bn new investment in London infrastructure and transport schemes over the next ten years, of which more than £23bn will come from public funds.

The publication of the Thames Gateway Delivery Plan followed a highly critical report on the delivery of the project from the House of Commons Public Accounts Committee. The committee concluded that DCLG's management of the programme was weak and that more needed to be done to prioritise and co-ordinate the initiative across Whitehall. In addition, the Department had failed to translate the vision for the programme into clear and measurable objectives, and there were no proper systems in place to measure progress. Also the delivery chain for the Thames Gateway was unclear with over 100 organisations involved plus multiple funding streams channeling into particular projects and multiple lines of reporting. The Committee urged the government to provide leadership and direction and to establish and set out the roles of each organisation involved so as to minimise any duplication. The Committee also claimed that the DCLG does not know how much the regeneration of the Thames Gateway will cost the taxpayer, and that this needs to be calculated and made public.³³

2.6.3 The Olympics

An investigation by Channel Four's *Dispatches* programme in September argued that Olympics Minister Tessa Jowell knew that the bid-era Olympic price tag of £2.375bn was an underestimate by 'several billion' 16 months before the Government admitted that the bill would be closer to £9bn in March 2007.³⁴ The programme's main contention was that the Government was being warned – by, according to *Dispatches*, consultants KPMG – around the time that the Games were awarded to London, that the cost would

³² DCLG, *Thames Gateway Delivery Plan*, November 2007: available on line at:

www.communities.gov.uk/publications/thamesgateway/deliveryplan

³³ Public Accounts Committee, *The Thames Gateway: Laying the Foundations*, 62nd Report, Session 2006-2007, HC 693, 10 October 2007, at:

www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/693/69302.htm

³⁴ 'The Olympic Cash Machine', *Channel 4*, 10 September 2007.

rise by 'at least a third'.³⁵ *Dispatches* also claimed that the Government 'buried' research carried out in October 2004 which argued that London's economy would benefit by £6bn while the regions would experience a £4bn deficit in 2012.³⁶ Again, according to *Dispatches*, it appeared that the Government only released the report, via a press release, in December 2005. In fact, the 'Olympic Games Impact Study' by PricewaterhouseCoopers, was published in full at this time.³⁷ The headline finding was that the Games would benefit the country by £1.9bn, which, would correspond with the net benefit suggested by the gap between the figures quoted above. The £1.9bn figure comes from a report assessing the economic impact of the Games by Adam Blake of Nottingham University, which was in fact also published in 2005.³⁸ It has not been possible for the current authors to trace the 2004 document so it is somewhat difficult to determine the veracity of *Dispatches*' claims, or whether there has perhaps been a modicum of journalistic licence. In any case, Tessa Jowell claimed in 2005 that:

We know we have got to work to make the Games benefit the entire UK and that is what we have already started doing. This early action is the key to unlocking real benefits for the whole country.³⁹

In the monitoring period the ever-pugnacious Public Accounts Committee grilled Jonathan Stephens, Permanent Secretary at DCMS and David Higgins from the Olympic Delivery Authority. The committee was highly critical that the costs had increased by so much and frustrated that the costs had not been correctly estimated at the time of the bid. The chairman questioned the £2.7bn (or £2.4bn net of tax) contingency fund which was, according to committee members, deliberately built in to allow costs to inflate – allowing the impression to be created post 2012 that the project had come in on budget. Of this figure, £600m is set aside for policing costs, a 'known uncertainty' at the time of the bid. A typical exchange:

Q5 Chairman: I put it to you, Mr Stephens, that all these uncertainties you knew about at the time. You could have offset them and you either acted in bad faith or you were incompetent. Were you incompetent or did you act in bad faith?

³⁵ D. Bond, 'Tessa Jowell "knew Olympic bill would soar"', *The Telegraph*, 7 September 2007.

³⁶ Ibid.

³⁷ DCMS Press Release 177/05, 'Jowell And Allen: Every Corner Of The Country To Feel The 2012 Effect', at: www.culture.gov.uk/Reference_library/Press_notices/archive_2005/dcms177_05.htm

³⁸ A. Blake, 2005, 'The Economic Impact of the London 2012 Olympics', TTRI Discussion Paper No. 2005/5. See www.nottingham.ac.uk/ttri/pdf/2005_5.pdf

³⁹ DCMS Press Release 177/05, op cit.

Mr Stephens: Well, you are quite right, there were a number of uncertainties...

Q6 Chairman: Which were entirely foreseeable.

Mr Stephens: ...and that is why the Department commissioned, on the foot of the first Arup report on the specimen Games, a further PWC report to assess the risks around the Games and that suggested that the costs would lie in the region of £1.1bn to £2.1bn. Further, on the basis of the detailed PWC assessment that fed into the final bid, a risk assessment was done around that which suggested that, with an 80 per cent probability, the costs would lie within plus or minus 10 per cent of the sum that they suggested, so attempts were made to assess the risks at the time that the bid was made and also to register that there were some elements that were fundamentally uncertain, including policing where, as I said, my predecessor notified the Committee about contingent liabilities, saying that it could not be estimated at the time, but that the Home Office anticipated that there were wider policing costs. I have to say that, eight years out from an event, I do not know of any other event where you would expect the detailed policing plans...

Q7 Chairman: No, but we would just expect the taxpayer, who is generally very happy to have these Games, to have an honest estimate at the time that we bid for these Games of what it is going to cost us. Now, we are looking at contingencies of anything between £2.4bn and £2.7bn. The suspicion is that this is a very large contingency because you want to make absolutely certain now that this £9bn is an upper limit, so really for this purpose you have deliberately made the contingency very large, it is puffed up with loads of uncertainties which we have not got to the bottom of, it is not very transparent, and you are using that as a safety net so that you can come back to us in five years' time and say, "We've achieved our aim; we are within budget". Is that fair? In other words, the contingency fund is over-generous and, as my colleague said, it is what I would do!⁴⁰

Mr Stephens stated, however, that the final cost to the public purse will not rise above £9.3bn: 'I am absolutely clear, this is the public sector funding package and it will not be exceeded, there will not be any more money for the construction of the Games'.⁴¹

2.7 City-Regions

Plans for groupings of local authorities and other agencies with an interest in economic development to establish Multi-Area Agreements (MAAs) continue to gather momentum.

⁴⁰ Uncorrected Transcript of Evidence to the Committee of Public Accounts, 'The Budget for the London 2012 Olympic and Paralympic Games', 14 November 2007, HC 85.

⁴¹ Ibid.

The Secretary of State for Communities and Local Government, Hazel Blears, announced in November that thirteen sub- and city-regional groupings are working on proposals that will be considered for the first round of MAAs. The announcement was followed by the publication of Government advice on MAA development as part of the Operational Guidance on the Development of the New Local Area Agreement (LAA) framework. This restated the principles set out in the Sub-National Review (SNR) – that MAAs should: be voluntary; focus upon evidence-based activity that adds greatest value at the sub- or city-regional scale; concentrate primarily upon economic development; be subject to shared and collective responsibility amongst partners; have transparent arrangements for accountability; include representatives from business and RDAs and, where relevant, both tiers of local government; be based on functional economic areas; be consistent with regional strategies and local Sustainable Community Strategies, and complement Local Area Agreements (the current mechanism through which resources are pooled for agreed purposes at the local authority level), and; build on existing sub-regional partnerships. It also clarified the roles that RDAs and Government Offices are expected to play in supporting and facilitating the development of MAAs.

Decisions on whether to work up MAA proposals are voluntary and there are no Government priorities as to where new arrangements are most needed or have greatest potential. Unsurprisingly, the initial list of groupings working towards an MAA is dominated by areas where there is already a recent track record of exploring and building sub- and city-regional collaborations. Each of the eight 'Core Cities' bar Nottingham – Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle and Sheffield – are working on MAA proposals with city-regional partners. Also on the list are two groupings – centred on Hull and the Humber Ports and the Tees Valley – that, like their Core City-focused northern counterparts, have already produced City Region Development Plans (CRDPs) as part of the Northern Way initiative.

The one other area for which a CRDP was produced, the multi-centred Central Lancashire running from Blackpool, in the west, to Burnley and Colne, in the east, will not be covered by a single MAA proposal. Instead, groupings covering the Fylde coast, around Blackpool, and 'Pennine Lancashire', covering the area straddling the M65 motorway, are proceeding independently with MAA proposals. Preston, which lies at the centre of the largest and most buoyant urban area in Central Lancashire, is not

represented in the first wave of MAA development. This fragmentation of the Central Lancashire 'city-region' is predictable, given the volume of evidence which has demonstrated that the inter-connections between its component parts are comparatively weak.

Also working up MAA proposals are two coastal groupings in the South East region; one focused on Bournemouth and Poole, the other on 'Urban South Hampshire', including Portsmouth and Southampton. Their presence on the Government's 'approved list' is consistent with the principle set out in the SNR; that the MAA mechanism is available to any group of local authorities and stakeholders that can present a convincing case for cross-boundary working on economic development and related issues. It provides further evidence that the Government has not 'bought' the argument, made by a number of contributors to the 'city-region debate' in recent years,⁴² that the strengthening of governance arrangements and strategies for the main provincial city-regions potentially provides a mechanism through which its commitment to reducing the gap in growth rates between London, the South East and the Eastern region, as a group, and the other English regions, can be realised. The Government's concern to present MAAs as a tool that can be applied anywhere is reflected in the fact that its advice note no longer mentions the 'city-region', which is seen, implicitly, as just one form of sub-region.

Early indications are that the substance of MAA proposals is likely to differ considerably, depending upon the particular characteristics of the areas involved, and the way that these, and the issues they raise, are perceived by those leading the MAA development process. Each of the groupings is working towards submission of their proposals by mid-2008. These will need to include descriptions of: the proposed outcomes and the timescales over which they will be delivered; how governance arrangements will support delivery of outcomes; the key stakeholders and their roles; the performance indicators that will be measured at the sub- or city-regional scale; funding arrangements, and; 'flexibilities' agreed with Government and its agencies. The Government's original aspiration was to have the first MAAs up and running by June this year although recent speculation suggests this deadline may slip, for some if not all of the MAAs.⁴³

⁴² See e.g., Centre for Cities (2006a) *City leadership* (London: Centre for Cities).

⁴³ B. Walker, 'New Opportunities for cross-boundary deals', *Regeneration and Renewal*, 18 January 2008.

3 Party Positions on Regional Issues

In January 2007 the Liberal Democrats published a consultation paper entitled *Better Governance*, which centred on issues around accountability, democratic engagement, and the relationship between citizen and state, but also touched upon devolution and decentralisation. There was relatively little said, however, about English regional devolution, or the more current agenda on sub-national governance discussed in this report. A policy paper published by the party on 6 September 2007 marked the next stage in the debate. The paper proposed a written constitution, a re-invigoration of 'active citizenship', reform of the UK Parliament and party funding, and a number of recommendations to 'empower Parliament'. Chapter 6 concerned 'Devolution and Decentralisation', and in particular addressed the English Question and the possibility of an English Parliament. It was argued that devolution from the UK Parliament 'which represents c. 60 million people, to an English Parliament, representing c. 50 million people, would fail to bring government closer to the people and that instead there should be devolution to the English regions or to even smaller units'.⁴⁴

Unfortunately the paper declines to follow this line of argument any further or to engage with contemporary debates on this issue (such as for example, the implications of the Sub-National Review). The Lib Dems reiterate that they support 'directly elected regional government in those areas where the public want it', but of course this comes into the category of 'dead in the water' policy. For the party, the main plank of devolution appears to be local government, but ultimately all these issues are left unresolved and would come under the remit of a 'constitutional convention', whose proposals would be put to a referendum. In reality then, very little is said about devolution and decentralisation in the English context. More interestingly perhaps, the paper restates the Party's intention to look again at the Barnett formula, which should be replaced with 'a new needs-based equalisation formula – the Revenue Distribution Formula – as set out in Policy Paper 75 *Fairer, Simpler, Greener*',⁴⁵ which would take into account rurality, heath, poverty and infrastructure and service delivery costs.

⁴⁴ Liberal Democrats, *For the People, By the People*, 19 September 2007, at www.libdems.org.uk/media/documents/policies/PP83_constitutional_Sep07.pdf

⁴⁵ Ibid.

The Conservatives made no significant policy announcements about English regionalism and governance arrangements, except that David Cameron confirmed his support for elected mayors for the largest cities in his closing speech to the Conservative Party conference in October. He suggested that mayors would improve accountability in the eyes of local electors as they could be blamed when things go wrong. In a now very familiar refrain, unelected regional assemblies should go, while there should be more trust in, and devolution to, local authorities. A fuller extract is quoted below:

In government we will take this revolution and freedom and control much, much further. I believe it's time in our big cities for elected mayors so people have one person to blame if it goes wrong and to praise if it goes right; great civic leadership that we heard from Mike Bloomberg in his great speech on Sunday. I think it's time with local government to tear up rules and all the ring fencing and the auditing and actually say to our local councils, it's your money, spend it as you choose and get judged in the ballot box by people that you serve. And while we are at it, it is time to abolish those regional assemblies and pass those powers back to the local councils where the power belongs.⁴⁶

The Conservatives also achieved considerable attention by sparking a debate on the 'English votes on English laws' issue in the autumn, as part of the party's wide ranging policy review process.⁴⁷

⁴⁶ David Cameron speech to Party Conference, 3 October 2007, see www.conservatives.com/tile.do?def=news.story.page&obj_id=139453&speeches=1

⁴⁷ Discussed, for instance, in A. Paun (ed.), *Devolution and the Centre Monitoring Report: January 2008*, London: The Constitution Unit, at: www.ucl.ac.uk/constitution-unit/research/devolution/MonReps/Centre_Jan08.pdf, pp. 15-17.

4 Public Attitudes, Identity and Research

A number of reports touched on differences between the English regions and particularly the contrasting fortunes of north and south.

A Department of Health report, the *Health Profile of England 2007*, looked at a variety of health indicators and found 'a consistent "north/south" divide, with poor health in the north of England in comparison to the south in almost all cases'.⁴⁸

There is a distinct 'north/south' divide for female life expectancy at birth. In all regions from the midlands northwards, female life expectancy is significantly shorter than in the regions to the south. Women in the North East and North West live over two years less than those in the South East and South West. A similar pattern exists for men. Men in the North East and North West live over 2½ years less than those in the South East and South West.⁴⁹

Further, the proportion of people feeling 'in poor health' in the North West (9.6 per cent) and the North East (10.4 per cent), compares badly to the national average of 7.8 per cent and the north compares very badly to the figures for the South East (5.9 per cent) and East of England (6.4 per cent) for example. Public Health Minister Dawn Primarolo said:

...there is still a lot to do in tackling health inequalities. To address this we have already announced major improvements to GP services across the country – greater flexibility in opening times, and over 100 new GP practices in the 25 per cent of PCTs with the poorest provision⁵⁰

Danny Dorling, Professor of Geography at the University of Sheffield, devised an updated north-south dividing line at the request of the Lowry arts centre in Salford, whose exhibition 'The Myth of the North' sparked debate with its interactive map allowing visitors to place the boundary line between north and south. Interestingly, in the light of the health divide noted above, Dorling's team looked at life expectancy first, then house prices and housing wealth, then educational attainment and finally the pattern of voting for Labour or Conservative. This produced a line which runs through, roughly,

⁴⁸ Department for Health, *Health Profile of England 2007*, p 12, see www.dh.gov.uk/publications

⁴⁹ Ibid, p. 12.

⁵⁰ Department for Health Press Release, 22 October 2007, see www.gnn.gov.uk/environment/fullDetail.asp?ReleaseID=324411&NewsAreaID=2&NavigatedFromDepartment=False

Gloucester, Warwick, Loughborough, and Lincoln to Grimsby. Or in other words, cutting pretty much through the middle of the West and East Midlands! This does, however, resonate with a recognisable cultural divide, accentuated, as Dorling notes, by the observed '£100,000 cliff in [house prices] between north and south'.⁵¹

On the theme of house prices, Experian economic forecasting predicted that the global 'credit crunch' would have a considerable impact on the housing market, with a general slow-down in growth, albeit with uneven effects across the English regions. Noting that the current boom has been uneven geographically, they predict that there will be modest declines in the South East and East, and more severe 'price corrections' in the South West and Midlands. Greater London, on the other hand, where 'overvaluation is less severe than in the rest of the south'⁵² is likely to continue to see growth. The South's economy, being more exposed to the 'credit crunch' and associated international financial turmoil, may grow relatively more slowly in the next two years, dampening regional house price inflation, while data from the CBI suggested that manufacturing performance (and exports) in the North is strong. Taken together, these trends suggest, as did the Deloitte research covered in the last monitoring report, that the north-south economic divide is set to widen but not at the same rate as has been apparent over the last decade. Thus the Experian report predicts that GVA growth in 2009 is predicted will be 2.2 per cent in the North, and 2.8 per cent in the South, a narrowing of the corresponding figures for 2007.⁵³

National Statistics released the latest international migration figures in November.⁵⁴ London remained the most popular destination, with 29 per cent of immigrants arriving there in 2006, although this was down from 43 per cent in 2000. Other regions have either retained or increased their share in in-migrants over the same period. Immigration within the UK has therefore become more dispersed. The rate of immigration to London rose by 26 per cent between 1997 and 2006, while it rose by 120 per cent across the other English regions in the same period.

⁵¹ David Ward, 'The north-south divide moves north', *The Guardian*, 24 October 2007.

⁵² Angela Balakrishnan, 'Credit crunch poised to trigger repossessions', *The Guardian*, 8 November 2007

⁵³ Andrew Burrell, *Regional Overview Autumn 2007*, Experian

⁵⁴ National Statistics, News Release: 'Emigration from the UK reaches 400,000 in 2006', 15 November 2007, at www.statistics.gov.uk/pdfdir/emig1107.pdf

IPPR North, a think-tank that has traditionally had considerable influence with the Labour Government, has recently embarked on a Northern Economic Agenda project. The first in a series of reports emerging from this research, *The North in Numbers*,⁵⁵ argued that the Government's Regional Disparities PSA target is too weak and needs to be reformed. Although the northern regions have done relatively well in recent years, as was also noted by the January 2007 report in this series, IPPR argues that recent economic forecasts suggest the three northern regions will be unable to maintain this growth and they will fall back in relation to the Greater South East. Since the Regional Disparity PSA aims to close the gap between the rate of growth in the North and the South, the Government can claim that the target is being met even though, as long as the southern growth rate is outstripping that in the North, North-South regional fortunes are in fact diverging. One of the report's authors was quoted as saying that 'instead of the current commitment to closing growth rates, there should have been a commitment to narrowing the gap in GVA absolutely.'⁵⁶

The same argument about the shortcomings of the PSA target were rehearsed by the current authors in a chapter for the forthcoming *State of the Nations* volume,⁵⁷ and it will be interesting to see whether the Government revisits this problematic target in the remaining two years of its tenure.

The fifth in the IPPR's series of reports argued that the three northern regions should oversee the development of a joint spatial strategy which would help address the North's perceived peripherality. *The Northern Economy in the Next Decade*⁵⁸ argues that such a strategy is needed to overcome one of the key barriers to improved economic development performance and productivity – that is, its weak transport links – as well as other major challenges relating to skills and innovation.

The full list of IPPR North reports is as follows:

1. *The North in Numbers: A strategic audit of the northern English economies*, by Michael Johnson, Olga Mrinska, and Howard Reed

⁵⁵ M. Johnson, O. Mrinska, and H. Reed, *The North in Numbers, A strategic audit of the northern English economies*, ippr north.

⁵⁶ Michael Johnson, IPPR, quoted in 'Regeneration and Renewal', 23 November, p 10

⁵⁷ Burch, Harding and Rees, 'The English Regions and London', op cit.

⁵⁸ M. Johnson, O. Mrinska and H. Reed, *The Northern Economy in the Next Decade*, ippr north, November 2007.

2. *The Public Sector in the North: Driver or intruder?* by Olga Mrinska
3. *Entrepreneurship and Innovation in the North*, by Michael Johnson and Howard Reed
4. *Moving On: A progressive transport policy for Northern England*, by Howard Reed
5. *The Northern Economy in the Next Decade*, by Michael Johnson, Olga Mrinska, and Howard Reed

The Centre for Cities, which recently became independent from IPPR, also produced a report about regional economic development. This report, *London's Links*,⁵⁹ aimed to analyse the spill-over effects of the highly successful London economy, and the extent to which other cities and regions benefit from it. In particular, they focused on London's trade links with the rest of the country. They found that the Greater South East benefits disproportionately from London because it is highly integrated with the capital. For example, the South East's trade with London is worth £28.1bn, while London-North East trade generates only £2.6bn. This leads them to conclude that: 'It's time to move the debate away from tax [redistribution] – and concentrate on ways to boost trade between the capital and the regions.'

CfC argue that RDAs should use their strategic and financial resources to boost trade with London in sectors where their regions are 'comparatively strong'. In addition they should view London as a gateway to foreign trade and investment, an argument which amounts to asking RDAs to re-orient their strategies towards London rather than pursuing individual and competing regional strategies. Interestingly this has considerable parallels with arguments made by (largely Conservative) MPs who have complained in the past that RDAs are competing with the same strategies for foreign investment. Like the IPPR report referred to above, they argue that improved transport connections are crucial to strengthening these economic linkages, an issue that came back onto the agenda in this monitoring period with the mooted of high-speed rail links between London and Manchester (see 'Regeneration and Location Policy' section).

⁵⁹ Centre for Cities, Paula Lucci and Patricia Seex, *London's Links: Who benefits from London's success?*, see www.centreforcities.org.

5 Regions in Parliament

5.1 Regions and the Parliamentary Programme

The Queen's Speech on 6 November announced the following bills of immediate relevance to the English regional agenda:

- The Housing and Regeneration Bill – principally to create the Homes and Communities Agency (see section 2.5).
- The Planning Bill – principally to create the Infrastructure Planning Commission, a key recommendation of the Barker and Eddington Reviews.

The Housing and Regeneration Bill was introduced by Communities Secretary Hazel Blears on 15 November and received its second reading on 27 November. It went through the committee stage between 11 and 13 December. The effect of the bill is:

...to establish the Homes and Communities Agency and make provision about it; to abolish the Urban Regeneration Agency and Commission for the New Towns and make provision in connection with their abolition; to regulate social housing; to enable the abolition of the Housing Corporation; to make provision about sustainability certificates, landlord and tenant matters, building regulations and mobile homes; to make further provision about housing; and for connected purposes.⁶⁰

The Planning Bill was introduced to Parliament by Hazel Blears on 27 November and received its second reading on 10 December. Its effect will be:

...to establish the Infrastructure Planning Commission and make provision about its functions; to make provision about, and about matters ancillary to, the authorisation of projects for the development of nationally significant infrastructure; to make provision about town and country planning; to make provision about the imposition of a Community Infrastructure Levy; and for connected purposes.⁶¹

5.2 Parliamentary debates

The main debates of relevance to English regionalism in this monitoring period were those connected to the Queen's Speech and an October debate on the work of the

⁶⁰ House of Commons Votes and Proceedings, 15 November 2007, at: www.parliament.the-stationery-office.com/pa/cm200708/cmvote/71115v01.htm

⁶¹ House of Commons Votes and Proceedings, 2715 November 2007, at: www.parliament.the-stationery-office.com/pa/cm200708/cmvote/71127v01.htm

Select Committee on Modernisation of the House of Commons. As in the past, opposition speakers used the debates to make traditional criticisms of regions policy, but notably in this period it was used to raise concerns about the proposed Regional Select Committees (RSCs). On 25 October for example, Leader of the House of Commons and chairman of the Modernisation Select Committee Harriet Harman confirmed the Government's intention to go ahead with RSCs:

Mr. Kevan Jones (North Durham) (Lab): Does my right hon. and learned Friend agree that one of the things that was welcomed in the north-east region was the proposal to create regional Select Committees? It is disappointing that they have not come into being yet.

Ms Harman: It is important that we have regional accountability for the north and other regions... We intend to press ahead with regional accountability, but we must get the processes right. We must ensure that the Committees are practical and work properly and effectively, that the House supports them and that in the regions concerned they are recognised as making a legitimate and important contribution to strengthening accountability.⁶²

Ms Harman was reiterating a key concern that the Government wanted to ensure that the committees are practical and can be resourced and run sustainably by Parliament, a concern that is reflected in the terms of the Modernisation Committee's inquiry which will commence in January 2008. Liberal Democrat Simon Hughes noted the relationship to the still unanswered 'English Question' in his speech:

I am not against the proposed Regional Select Committees, but they are no answer to the English question. I am clear that we have not addressed the English question in Parliament, and it will not go away, nor should it. We need to work out how we can have proper accountability and scrutiny of England-only business, just as there is now better scrutiny in other places of Scotland, Wales and Northern Ireland business.⁶³

This theme was returned to by the opposition during the debate on the Queen's Speech. Conservative back-bencher John Redwood again linked an attack on the alleged unpopularity of current English regional governance arrangements with the English Question:

Mr. Redwood: A large number of people in England think that the big constitutional anomaly is the poor treatment of England. What is the hon.

⁶² HC Deb, 25 October 2007 Col. 442.

⁶³ HC Deb, 25 October 2007, Col. 470.

Gentleman's party going to do about that, given that bogus regionalism in England is extremely unpopular and makes English people feel even less well represented?

Dr. Cable: We recognise that there is a constitutional anomaly, and that it must be dealt with properly and carefully, and in the context of finance. We are the only party, as far as I am aware, that wants to open up the issue of the Barnett formula and to reconsider whether resources can be better distributed on the basis of need.⁶⁴

John Redwood continued, warming to his theme:

The second big constitutional problem that the Queen's Speech does not address under the excellent rubric of giving power to Parliament and the people is the lack of proper representation of the people of England... We desperately need a solution to the problem of England. My right hon. Friend the Leader of the Opposition has made the perfectly good suggestion of moving towards more decision making in this House by the body of English MPs, so whatever is settled for Scotland in the Scottish Parliament would be settled here in Westminster by the English MPs of the Westminster Parliament exercising their jurisdiction as English MPs.

.....

The point is that the constitutional argument is moving on. The idea driving Scottish nationalism is to radicalise English voters so that they, too, become Scottish nationalists – by proxy. That is what the Scottish nationalist strategy is all about.

As an English MP who has always in the past defended the Union, I am conscious that the political mood in my country of England is moving rapidly in exactly the direction that the Scottish nationalist party wishes for, as it tries to turn England into a battering ram against the Union. As a result, my right hon. and hon. Friends have reached the point of thinking that unless the problem of Englishness receives some recognition that goes some way towards matching the devolution offered to Scotland and other parts of the Union, that problem will get far worse, and the Scottish nationalists are more likely to get their way. The people of England will, effectively, become advocates of Scottish independence because they will want English independence. That is the process on which we are now embarked.⁶⁵

Ending on some advice for the Government:

⁶⁴ HC Deb, 6 November 2007, Col. 37.

⁶⁵ HC Deb, 6 November 2007, Cols. 50-51.

My advice to the Government, who still claim that they want to save the Union, is that they must do a much better job of that now that Scottish nationalists are radicalising English voters. At the very least, the Government should understand that splitting England up, balkanising it into a set of artificial euro-regions, is the very opposite of what is required to deal with the problem of Englishness. Far from making English people happy, some kind of second-best devolved Government in bogus regions – such as, in my case, the south-east, which we cannot define and do not wish to – will make them far angrier. They will say that such changes are a deliberate ploy to stop them being English, and they will be made more English and more anti-Union than if the Government had not gone down the route of trying to split the country up and pretending that creating artificial regions with unsatisfactory degrees of devolved power was some substitute for tackling the problem of England.

So I welcome the proposal of my right hon. Friend the Member for Witney (Mr. Cameron) of English votes for English issues, although I would go a little further, because the movement is rapid and Englishness is on the rise. I certainly like the idea of creating an English structure within the Westminster Parliament; I feel that, because of history, it is the English Parliament as well as the Union Parliament.

Theresa May also linked the Regional Select Committee Proposal to the 'English Question':

In trying to avoid the West Lothian question, the Prime Minister announced his big idea, Regional Select Committees. Yet when the Leader of the House was asked about Regional Select Committees two weeks ago, she pointedly talked about regional accountability and refused to endorse them. Perhaps they are another Brown policy that is falling apart. Will the Leader of the House make a statement on the Government's policy on Regional Select Committees?⁶⁶

Ms Harman batted this away with the by now familiar response that the issues would be discussed in the Modernisation Committee and proposals would be put forward to the House in due course, while suggesting that the Regional Ministers were making progress already.

⁶⁶ HC Deb, 8 November 2007, Col. 249.

Finally, it is worth noting the possibility that housing expansion could continue to be an important battleground within the wider picture of sub-national governance, despite the transition from formal Regional Assemblies to increasingly formalised MAAs, and particularly in the south of England. Surprisingly, perhaps, however, Conservative MP Mark Hoban (Fareham) complimented the progress made by the Partnership for Urban South Hampshire MAA, arguing that it brings decisions closer to the people:

Local people are concerned, too, about the lack of control over development. They do not believe that they have a say in development, because central Government's control is too strong, so their protests are ignored. The combination of a deteriorating quality of life, development that changes the character of an area and a lack of local accountability causes people to be frustrated with development and anxious about what will happen to their community in future. They will get no relief from the housing and planning Bills that are to be introduced, and they regard the proposals to move planning from regional assemblies to regional development agencies, following the shift from counties to RDAs in the last planning Act, as moving power further and further away from people and their elected representatives. The evidence from the Partnership for Urban South Hampshire is that local councils can work together at sub-regional level to tackle those issues. *The Government need to learn that decisions do not need to happen at the regional level or in Whitehall, but can happen at the local level. The proposal to move decisions further and further up the chain alienates people from the political process at the local level.*⁶⁷

⁶⁷ HC Deb, 8 November 2007, Col. 311, emphasis added.

6 Regeneration and Location Policy

When Gordon Brown entered Number 10 in early summer 2007, he soon made noises to suggest that it was far from certain that the Supercasino, which a special Advisory Panel had recommended should be awarded to Manchester in February 2007, would go ahead at all. Going even further, he told Parliament in July that regeneration might be 'a better way of meeting [the] economic and social needs' of deprived areas than a 'Las Vegas-style casino'. Whitehall sources later acknowledged that the controversial plans, which were thrown into doubt when the House of Lords rejected the statutory instrument that would have enabled the Supercasino plus 16 other, small casinos to go ahead, were 'dead in the water'.⁶⁸ The Prime Minister's announcement referred specifically to the Supercasino – suggesting that the other 16 proposals would proceed. A 'period of reflection' commenced over the summer and it was suggested by Downing Street that a final decision would be predicated on the results of a Gambling Prevalence Study published in September.⁶⁹ In the event no firm announcement was made either way; the final announcement by the Culture Secretary is expected early in 2008.

In October it was confirmed that the major new medical research facility would be created at the British Library International Science Site (Bliss) at St. Pancras in central London. It will be the home of the National Institute for Medical Research (NIMR), previously located in north London, but which the Medical Research Council (MRC) had chosen to move. Bliss is a partnership between the MRC, the Wellcome Trust, Cancer Research UK, and UCL, and there was strong lobbying to bring the facility to a highly central location – demonstrating the powerful effect of the agglomeration of existing scientific resources. Bliss is of course close to rail links to the Channel Tunnel, Oxford, Cambridge and the north, but more importantly, it is close by University College Hospital, Great Ormond Street Hospital and UCL – allowing the centre to draw on both technical and scientific human resources in those institutions. However, there remained some uncertainties. The site, valued at at least £28m, has to be purchased by Bliss from the DCMS, but as well as considerable commercial competition, there is the small difficulty that provisional planning permission stipulates a mixed development that would include

⁶⁸ T. Branigan and P. Wintour, 'Brown U-turn over plan for supercasino', *The Guardian*, 12 July 2007.

⁶⁹ H. Wardle et al., National Gambling Prevalence Survey 2007, Natcen/Gambling Commission, available at: www.gamblingcommission.gov.uk/Client/detail.asp?ContentId=288

an element of affordable housing. It is certain neither that Bliss' bid would win, nor that local opposition to the plans would be insignificant.⁷⁰

⁷⁰ M. Henderson, 'World's biggest medical research laboratory planned for London', *The Times*, 1 October 2007.

7 EU Issues

During the monitoring period the new funding regime for ERDF 2007-2013 came on stream. Although the totals for the UK are far less than in previous rounds there is still a significant amount available to the less prosperous regions. In addition to a decline in funding there has been a change in the administration of the funds with day-to-day administration being transferred to the RDAs – though DCLG remains responsible for the overall programme. The amount allocated to each region varies according to size and level of need with, for example the North West being allocated £521m over the six-year period and the North East and the West Midlands being allocated £255m and £267m respectively. The ESF is being run nationally by the Department for Work and Pensions which will be distributing the money for training and skills purposes.

This allocation and change in administrative arrangements followed on from a period of difficulty concerning proper accounting for earlier spending. This issue was highlighted in a BBC Radio 4 *File on 4* on 16 October 2007.⁷¹ The programme revealed that in the period since 2005 six English regions had been scrutinised over concerns about 'poor standards' of monitoring the spending of grants. This followed criticisms by the European Court of Auditors and the decision by the European Commission to freeze further payments to the English regions concerned: East of England, North East, North West, London, Yorkshire and Humber and the West Midlands. By November all of these regions, with the sole exception of the North West, had been deemed to have met EU standards. By the end of December the North West's new operational programme was approved by the Commission and satisfactory auditing procedures were deemed to be in place across all the English regions.⁷²

⁷¹ BBC Radio 4, 'Analysis: Urban Regeneration', 16 October 2007: http://news.bbc.co.uk/go/pr/fr/-/1/hi/programmes/file_on_4/7045159.stm

⁷² 'NWDA welcomes £1billion green-light from Europe', NWDA press release, 20 December 2007, See www.nwda.co.uk/news--events/press-releases/200701/1

8 Finance

Following on from the Comprehensive Spending Review,⁷³ there were a number of quite important developments in the period, namely:

- The UK Government put an end to the proposals for a planning gain supplement, after consultation led to a feeling that the proposal was unworkable. Instead, a statutory planning charge based on a system of standardised tariffs will be introduced, combined with section 106 agreements, to fund infrastructure 'of regional or sub-regional importance' identified through the development plan process.⁷⁴ The proposals have gone forward into the Planning Bill.
- In common with the post-Lyons emphasis on local authorities' 'place-shaping' role, the CSR announced the continuation of the Local Authority Business Growth Incentive scheme (Labgi). Labgi will not operate in 2008-09, allowing time for consultation and revision, but it will be re-instated in 2009. In the financial year 2009-10 it will receive £50m, rising to £100m in 2010-11. However this compares to the £442m it received between 2005 and 2007. DCLG has produced an issues paper to further the consultation on Labgi.⁷⁵
- Most importantly, the Government intends to introduce the Supplementary Business Rate (SBR). A white paper released with the CSR outlined that it will be restricted to 2p in the pound, will only be chargeable by top tier authorities in an area, and will only apply to businesses over a £50,000 rateable value threshold.⁷⁶

⁷³ HM Treasury, *Meeting the aspirations of the British people: 2007 Comprehensive Spending Review and Pre-Budget Report* (London: The Stationery Office, 2007).

⁷⁴ Yvette Cooper, Planning Reform statement, see: www.communities.gov.uk/statements/corporate/planningreform

⁷⁵ DCLG, *Building better incentives for local economic growth: reforms to the Local Authority Business Growth Incentives scheme*, available at www.communities.gov.uk/publications/localgovernment/labgischemereforms

⁷⁶ HM Treasury, *Business rate supplements: a White Paper*, available at: www.hm-treasury.gov.uk/media/B/9/pbr_csr07_businessrate266.pdf

9 Local Government

On 12 December a Central-Local Concordat was signed between the UK Government and the Local Government Association (LGA).⁷⁷ This establishes a 'framework of principles for how central and local government work together to serve the public'. This is part of the wider programme of constitutional review and reform that stems from the *Governance of Britain* green paper of July 2007.

The concordat broadly reiterates much of recent policy that aims to focus local (and central) government on providing leadership for delivering better services for people, building on *Strong and Prosperous Communities*⁷⁸ and the Local Government and Public Involvement in Health Act 2007. It sets out that central and local government are partners in delivering 'improved services and in strengthening our democracy', within which is a strong presumption towards devolution of powers to the lowest practical level. The concordat sets out specific rights and responsibilities of central and local government; that they will work together to deliver the Public Service Agreements set out in the Comprehensive Spending Review (CSR07) and the new Performance Framework ushered in by the LGPIH Act; and that the Local Area Agreement will be 'the key means of agreeing, delivering and monitoring the outcomes for each area which are delivered by local government on its own or in partnership with others'. Finally it affirms that:

Central and local government share a commitment to delivering services that represent value for money; to ensuring that public services, including new obligations imposed on councils, are properly funded; and that local taxation is guided by principles of transparency, clarity, and accountability. We will work together to provide greater clarity and transparency to local people on the levels of public funding going into local areas, and work towards giving councils greater flexibility in their funding, to facilitate the wide degree of autonomy referred to in the European Charter of Local Self Government.⁷⁹

The restructuring of local government in Cheshire had been one of the most protracted and politically-charged of the recent wave of reorganisation. Ultimately it was decided in

⁷⁷ HM Government and Local Government Association, *Central-Local Concordat*, at www.communities.gov.uk/documents/localgovernment/pdf/601000

⁷⁸ Department for Communities and Local Government, *Strong and Prosperous Communities – The Local Government White Paper*, at www.communities.gov.uk/publications/localgovernment/strongprosperous

⁷⁹ *Central-Local Concordat*, op cit., p. 4.

December that Cheshire will be split roughly in half, creating two new unitary councils to replace the present county and six districts. This is broadly in line with the proposal originally made by Chester City Council, whereas Cheshire County Council had favoured a single county unitary, a model which was declined by Government in the summer of 2007. The change is expected to create a projected £16m annual saving. The two new councils, to come into being in 2009, will be City of Chester and West Cheshire (former Chester, Ellesmere Port and Neston, and Vale Royal), and Cheshire East (former Congleton, Crewe and Nantwich, and Macclesfield).⁸⁰

At the same time the Government announced further consultation on a joint proposal received by Mid- and South Bedfordshire District Councils for unitary status in the remaining area of Bedfordshire, with a consultation period ending in February suggesting that the assessment will occur some time in the spring of 2008.⁸¹

⁸⁰ See DCLG Press Release, 18 December 2007, at www.communities.gov.uk/news/corporate/618102

⁸¹ DCLG, *Proposals for future unitary structures in Bedfordshire, Stakeholder Consultation*, at www.communities.gov.uk/publications/localgovernment/bedfordshireconsultation

10 Conclusion

The publication of CSR07 during the most recent monitoring period added the final piece to a jigsaw which now gives a relatively complete sketch of the future shape of sub-national policy and governance in England. Seen in conjunction with a plethora of statements that have appeared in Labour's third term contained in the green paper on the *Governance of Britain* and the Local Government White Paper; in the Review of Sub-National Economic Development and Regeneration; and in major policy reviews completed by Lyons (on local government finance), Eddington (on transport), Leitch (on skills) and Barker (on housing and planning) it completes the in-principle modification of a landscape that now appears very different to what might have been expected four years ago, when the Government's plans to enable the creation of elected regional assemblies were still nominally on track.

Within this new landscape, there is still some commitment to the regionalisation of public policy and to improving the political accountability of regional agencies, which the Modernisation Select Committee is looking into. Devolution to new elected bodies, however, is firmly off the agenda and there is no longer any pretence that English sub-national governance is or should be moving along the trail already blazed, in different ways, by the UK's non-English nations. Instead, there is a limited amount of decentralisation of responsibility, within centrally-determined budget parameters, to regional agencies but also a requirement that RDAs and Government Offices will become more strategic, leaving the bulk of decision-making and delivery to local authorities.

The primary focus is upon economic development, and the presumption is that local authorities, in particular, will need to become much smarter and more intelligent, working across geographical and functional boundaries where appropriate – if they are to gain the 'flexibilities' intimated at by a Government that, at least in a formal sense, is apparently determined to take a more localist, 'hands off' approach. The prospect of working within a regime in which Westminster and Whitehall do not pretend to know best is enticing for the majority of local authorities and their stakeholders.

The 'outlier' in this emerging settlement is London – the only metropolitan area in the country covered by an elected, strategic authority – and the super-region that surrounds it. This area is the focus of a relatively intensive, if implicit, growth management strategy in which national government departments and agencies will continue to have a hands-on role and which, if successful, is likely to exacerbate regional economic imbalances.

The tension between an explicit, ostensibly even-handed decentralism and an implicit, unevenly-applied dirigisme is likely to be a feature of English 'regionalism' long after this series of monitoring reports comes to an end. In the final reports of the current series (to be published in May and September 2008), our focus will be on examining how the new sub-national policy and governance regime is further elucidated and applied in practice, uncovering the way in which the major spatial development tensions that arise are managed, and assessing the implications of both for sub-national policy and politics in England.