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DEVOLUTION: A DECADE ON

Thursday 13 March 2008

Vermont Hotel, Newcastle

COUNCILLOR DAVID FAULKNER, COUNCILLOR PETER MOLE
and COUNCILLOR PAUL WATSON

SARAH AYRES and GRAHAM PEARCE

PROFESSOR JOHN MAWSON, PHIL DAVIS, MARY SOUTHCOTT
and GEORGE MORRAN

Evidence heard in Public Questions 309 - 398

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Oral Evidence

Taken before the Justice Committee

on Thursday 13 March 2008

Members present

Mr Alan Beith, in the Chair

Mrs Siân C James

Alun Michael

Julie Morgan

Bob Neill

Dr Alan Whitehead

Witnesses: Councillor David Faulkner, Newcastle City Council, Councillor Peter Mole, Gateshead City Council and Councillor Paul Watson, Sunderland County Council, gave evidence.

Q309 Chairman: Councillor Mole, Councillor Faulkner, Councillor Watson, welcome. This is a meeting of the Justice Committee of the House of Commons. I welcome my Committee colleagues to Newcastle and to the building that once was Northumberland's County Hall. They have all got here with enormous difficulty, as you will know. We are very grateful to our witnesses this morning for helping us with the work we are doing on devolution, ten years on. I thought I would start by asking three deputy council leaders from important councils in the region - I think at least two of

their leaders being abroad promoting Newcastle/Gateshead this very day - how the Government's regional and sub-regional policy changed, if it did change, after the referendum, after it became clear that we were not going to get a regional assembly? A view from the local authority perspective, what happened then?

Councillor Faulkner: I think it did change and it had to change because certainly amongst politicians when the result came in there was (a) disappointment and (b) a sense of unfinished business still which had to be addressed in a different way. We did not think we would be able to reopen the formal referendum type issue on regional government for another ten or 15 years, but I think both central and local governments realised that there was a need to move the agenda on and there was an appetite and we are living in a state which is one of the most centralised in the Western world, and that it was beginning to affect performance, it was affecting confidence in local government and all sorts of issues. I think the sub-regional agenda, the sub-national review which has emerged is a response to that, and although the proof of the pudding will be in the eating, it is a positive response and there are elements in that where I think local and national government can build a new relationship which has to be based on the redistribution of powers and has to be based on the redistribution of funding. I think the agenda has moved on and has moved on in the right direction. There is a recognition that city regions are relevant and important. All of our structures are based around artificial units, the region itself is an artificial unit. It is a convenient unit for government to organise its affairs, but it is artificial. Even local authority boundaries can be artificial. The really natural units are the city regions when it comes to economic development, when it comes to transport and so on and the neighbourhood. I think the focus has shifted to city regions and the neighbourhood and that is a step in the right direction.

Councillor Mole: I would make one thing very clear, I am not the Deputy Leader of Gateshead, just in case it gets reported across to Newcastle that I am up to no good. I have been around a long time, 30 odd years in local government, and when this particular referendum came about - and I think the referendum came at the right time, unfortunately it was not at the right time for the people who were doing the voting - we looked at working together, at best practice, then things became a little bit clearer to us when this happened, that we had to do something. Obviously we were working very closely with our colleagues in the North East of England but, also, when we looked a little bit further up than that and started to look at best practice, that did not wake us up but we had to do something, Chairman. David has just spoken about the issues which have come on since then, a progression of deep thought and where we had to go for that and making sure that the region, as you well know, needed to sit down and concentrate on the region and the bits and pieces around it as well. I am more than content about what has happened since then, but we have to carry on and do enough. The assembly would have been probably one of the best things that could have happened to us but did not happen.

Q310 Chairman: Is it a bit different from Sunderland?

Councillor Watson: Not really, I would concur with what my two colleagues have said. Obviously the Government did listen to the voice of the people, even though it might not have been the voice they wanted to hear with a "No" vote but, nonetheless, obviously we ended up in a bit of a state of flux because the plan had to be changed quickly and they were large plans but the day job had to continue. There are some issues which can really only sensibly be addressed on a regional basis, as David has pointed out, and that is how we have managed to make it happen and with government. I would concur with Peter, we are happy with what has been happening and we are progressing what we would perceive as pretty well, but we need to find a way to formalise it and get the structures around it put right somehow or another more formally.

Chairman: We are going to work through some of the details of the structure and I am going to ask Mr Michael to take it on from there.

Q311 Alun Michael: Just as a reflection when you referred to unfinished business, having being involved in the campaign for Welsh devolution in the run-up to 1979, I did not expect to be part of Neil Kinnock's team bringing it back on to the agenda only 11 years later, so good luck! Looking at the outcome of the Comprehensive Spending Review, clearly there is a restriction on the funds of regional development agencies, it goes down about 6%, whereas the funding for local authorities goes up 1%. Do you think that implies a greater role for local government in economic development in the region? If so, is that something which is separate or something that you are looking at together across the different local authority boundaries?

Councillor Faulkner: I think we want a greater role in economic development and we welcome the idea that we will have a duty to promote economic development and that we can do assessments and hopefully we can then develop the strategies, agree the interventions, agree the boundary lines between local, regional and national government and then get on with it, but I do not agree with your analysis of the settlement for local government, I am afraid. In all of the local authorities in the North East we have got the floor settlement of 2%. The argument was partly that you have all improved a bit in the deprivation rankings, therefore you do not quite need the same amount of money and, of course, that is taking a rather short-term view of it. We all have the floor settlement. Colleagues will speak for themselves, but in Newcastle we have a grievance about population increase not being reflected in the settlement. For the coming year we have all lost the Local Business Growth Initiative money and we thought there was an agreement that the money which came through, whatever we and businesses themselves did to promote a more satisfactory and prosperous environment would flow back to local government. For the last three years we have been waiting for the final amounts which we were due. You might have read, some went to Newcastle-under-Lyme instead of Newcastle upon Tyne, so we got that bit back but we were still short-changed.

Q312 Chairman: You have got that back, have you?

Councillor Faulkner: We have got that back, but we were still short-changed for those three years and we get nothing next year. If I may say so, if you take the non-school settlement and the schools budget is reoccurring at best anyway, we get less money in cash terms, not even in real terms, next year in Newcastle and that is a real problem. We have got all sorts of pressures - I am not going to moan, you will know about them - social care, waste management, single status, we are all covering that, all the councils are covering that. I am very disappointed with the way in which it has come out for local government. I think we can work well with the money we are given. For the third year in a row the North East has had the highest rating of performance by the Audit Commission on efficiency. We are all three or four star authorities, we have all over-delivered on Gershon and you just feel that at a point at which there might be take off and we can really push this economic development agenda forward, we get a poor settlement and I think that is highly disappointing.

Q313 Alun Michael: Understanding that point, and I have been on the other side of the table on that sort of issue, we are trying to look at the regional issues, and in terms of economic development, a couple of years ago I came with David Miliband when we had a presentation for local authorities and it was incredibly effective because it was clear that the local authorities in this region had got their act together for the day, there was very good communication. To what extent is that playing through into the future in terms of economic development and the local authority role in it?

Councillor Watson: There is an absolute understanding that we can only achieve what we really need to achieve by working together and we absolutely signed up for that agenda but, again, we need structures and infrastructure in place to let us achieve that. Then it needs to be recognised that it has obviously got to be resourced properly. Notwithstanding what David has said from a local point of view, we would always say a bit more and we could have had so much more. Given that we wish there was more, I have got to say, I have been on the radio this morning announcing £30 million worth of spending in Sunderland, so we are not exactly unhappy but, as I say, we would like more, please. Definitely from a regional basis, we know that economic development is one of the strands that we are actively working on together, transport, worklessness, so we recognise that, we want to do it and we need to be able to do it.

Councillor Mole: I would have thought the £30 million was going on players for Sunderland but I did not realise it was for that! Just on economic development, as a region we have looked at it and I am quite sure that Alan and other people know that the airport has been a big factor in getting the region sorted out in terms of economic development. I think we have spread our wings a bit.

Q314 Chairman: Do you mean the airport as a feature or do you mean the fact that money was released from the airport deal?

Councillor Mole: As well as. I have been a director of the airport for about 28 years and from there to getting finances into the region because of the expansion of the airport, how they managed economic development has been a big major player in people coming into the area. You and I know that if you can get to somewhere in ten minutes from the airport or half an hour, which you can with the Metro system, it is a big player. It is the reason I brought the airport in, but I do think we have looked at economic development very, very seriously. We have had some disasters but we have had some really good forward steps in economic development. We looked at it as local authorities simply and solely because we had to and we played a major part in it in the years gone by but the point that you are making, Alan, is we are going to have to get more and more involved together and stretch ourselves out a little bit further than we were before. We were not blinkered but it was a bit of a competition to get stuff into Gateshead, Newcastle, Sunderland and other places. We have worked together for a long time but we need to look at this. The funding as well is very, very important. I understand what my colleague said on the left, but I will get to point that out in another meeting. I do think the economic development funding is helping a great deal to drag people in to the area itself.

Councillor Faulkner: Sub-national review creates an opportunity because it talks about redefining the role of the RDAs, so it is more focused on strategy and that local authorities, either acting on their own or through multi-area agreements, which we would welcome, would be much more involved in the delivery. That is fine, that is great, but there needs to be a flow-through saying, "Where are the resources?" because we are talking about major infrastructure developments. We are talking about connectivity for our transport systems, we are talking about metro reinvigoration, we are talking about things that are going to cost a lot more in business improvement districts or the supplementary business rate will deliver, so there really needs to be some fresh thinking about the flow-through of resources to match the change in responsibility.

Q315 Dr Whitehead: Subsequent to the failure of the referendum, I am interested in how the relationships between local governments and the various boards, the assembly, the regional development agencies, Government Offices then worked, bearing in mind that there was, one might say, almost an assumed vision that everything would be subsumed to the regional assembly and then, as you say, business as usual had to take place with the different agencies in the region and local government. How did that work, or does it work now would you say?

Councillor Faulkner: It works in part. Our problem working with Government Office is that Government Office has to reflect the demands of the different departments of government and we do not see the joining-up at Government Office level which we would like to see, not that efforts are not being made but it just does not happen. With the regional assembly I think the problem was lack of clarity in terms of its role, lack of democratic accountability and so on. Most of us would not mourn the passing in 2010, I can only speak for myself but I feel that is the case. I think local government in the region organises itself well through ANEC, the Association of North East Councils. I think it has credibility, it has good relationships with the existing institutions and it has good relationships with the evolving institutions, so the ministers in the North and so on. I think there is a commitment there to try and make it all work, but I do not think it is particularly fit for purpose. The RDA suffers from our inability to scrutinise it properly and it has its accountability issues. As part of this exercise, if we can redefine where the different bits that are going to be left will fit together, what their roles and responsibilities are and make the funding flow from that, then I think we will be in a good position. The answer is we make the best of the institutions that we have got, but none of them is perfect, and if we started with a clean sheet of paper we would not have what we have got now.

Councillor Watson: I think that is probably true, but obviously I really believe that structures are only a small part of anything, unless they are totally dysfunctional. It is the hearts and minds of the people who populate them and work in them that make things happen and make things work. That is what all the local authorities have done since then. With an imperfect structure in the system I think we have worked together and made it happen. If you look outside the windows you will see how much we have moved on and that is it. Obviously, exactly as David said, we would design something completely different now and be much more complementary to the work we do but, nonetheless, we will not let that get in the way and we are determined to make things happen in the North East.

Councillor Mole: I have worked very closely with One North East on the European dimension and that has been very helpful in bringing it back as well, but with the organisations we have got, we have worked the best we can, but I do think we need to have a bit more clarity in what we are going to do in the future and who is going to fund what. There are a lot of initials out there and lots of people say, "What do they do and what do these do?" and what we need to do is make sure that if we are going to work closely with central Government we need to have an organisation that does that. Local authorities are working really well together, the best we can with what we have got, but there needs to be some clarity in where we are going to in the future. I do not think anybody would complain about an organisation. AMEC probably shines a little bit more because it is all the local authorities, it is the thoughts of the politicians working together in a region which has got no doubt that we think we are doing the best we can and I am sure we are.

Q316 Dr Whitehead: Bearing that in mind and you have all said that in practice local authorities work well together and although you would not have designed the system as it is, you consider you have made it work relatively well, is the question of democratic accountability subsequently a peripheral issue or would you say in terms of the future structures a future way forward is a central issue? Is it just something that people go on about because they think it ought to be designed more perfectly?

Councillor Faulkner: It is not on the lips of the public all day long, of course, they are concerned about services being well managed and effectively delivered and, frankly, I do not think they care too much. They ought to, but they do not. It is an issue about credibility and ownership, ownership in particular. If I can use an example of the local government relationship with other public

agencies. We are all working very hard with our local area agreements and all the rest of it, pooling and aligning, setting common priorities, and we are doing that at a sub-regional level now because we work on the multi-area agreements, however, the problem is that all of the key agencies we work with, the police, health, the HE and FE sectors, are all really vertically driven, not horizontally driven, so their freedom of flexibility to commit resource and priority and so on is really not there. One of the changes which has to happen in this constitutional review is that democratically elected local government, through its leaderships, have to have an involvement in signing off regional strategies of all of these major public agencies. If they do not, it really does not make any sense at all. You cannot just say it as an after the events scrutiny type role, important though that is, I think we have got to have an involvement in being part of the development of the regional strategies. I will use an example and I am certain it will get minuted, but the Police Constable in Newcastle, who is a very nice man, makes policy on the hoof and announces it through the press and we are supposed to be running safe Newcastle partnerships, you know the point I am making though, that we are trying to run all the partners together and policy is being made on the hoof. We cannot have it that way, it just cannot work like that. I am not sure that answers the question fully but it is an illustration of the relationship point about the centre and local.

Q317 Dr Whitehead: With the sub-national review, the prospect is set out in there of a changed relationship particularly between local authorities and the Regional Development Agency, or a part-changed relationship, and elsewhere there are suggestions of further scrutiny for local government as far as the health and the police are concerned and you have mentioned that things need to be signed off. What do you consider "signed off" actually means? Is there a distinction between scrutiny of Regional Development Agencies which could simply be, "Could you please give an account of what you have done", and signing off, which appears to have some suggestion of holding to account and some involvement in the process in that phrase? How do you see that in terms of the enhanced role which appears to be offered by the sub-national review, how do you see that working out in practice?

Councillor Faulkner: One of the key elements of it is the integrated regional strategy and if it is truly integrated I think most of us would say that is great, if we can have one strategy instead of a separate regional spatial strategy and a separate housing strategy and a separate economics strategy, that would be good, but we must not be scrutinising it after the event. My point really is we ought to be in with the agencies who are charged with the responsibility for preparing it at the very beginning and we have not been particularly in the past. They might have a sort of "We are setting off on this journey now, what do you think are the key issues?", but ultimately you just get a draft out and have to comment on the draft. It is not really reflecting the priorities, I think, that local government see and I am giving you my particular perspective. If I say signing off, I do not mean just signing off, seeing it at the end of the day, I mean truly being involved from the very beginning. When it comes to scrutiny, there are two levels of this. Parliamentary scrutiny has to concentrate perhaps better than it has done on scrutinising the work of those departments of government which have an impact in the region so that there is a greater sensitivity of regional needs and issues as those policies are developed, but then the new scrutiny, whether it is a select committee with MPs and council leaders working together, which I hope it might be, scrutinising the RDA and so on at a local level would be good.

Q318 Chairman: In this context, are you aware of and have a view about the emerging thinking - I do not know whether it applies to all the regional ministers but I think it does apply to the one in this region - that there should be some slightly formalised grouping together of council leaders, Members of Parliament, maybe one or two other stakeholders for this sort of purpose?

Councillor Mole: In the very near future we are going to have 12 unitary authorities with leaders who need to be working together with Members of Parliament. When you are talking about the re-organisation of Durham and Northumberland we are going to have 12 unitary authorities, which is something I was preaching 25, 30 years ago. What we are going to get now, and probably my colleagues in Durham and Northumberland at the present time are not going to like what I am saying, is at the end of the day the end product is going to be 12 strong leaders working with the Members of Parliament, but the point you made about scrutiny, I do not want to be involved just in what is going on within the North East of England, I want to say it in whatever body it is and I think that is why we are elected. How that is worked out is a different kettle of fish altogether, but I do think we need to have a say on all things. We have got police committees, we have got health authorities, we have got all that, we need to make sure that we do not scrutinise after the event. We use scrutiny well in Gateshead. We make sure that any decision we are going to make or decisions we have are scrutinised prior to the final decision, so we have got an input. That is where we are all coming from as local elected members.

Councillor Watson: If the legislation and what comes through says we sign off things, then we will sign them off and we know that is the hierarchy of things, but if you want us to sign up to things then we need to be part of that decision-making process and we need to be part of making things happen. It would be difficult to sit down there and rubberstamp things at the end and then really take them to our hearts and make them work.

Chairman: Mr Neill has got an interest to declare.

Q319 Bob Neill: Indeed I should. Until 1 May at any rate I can claim to have an interest as a Member of the London Assembly at a regional level until I stand down from that. I was interested in what you were saying, gentlemen, because I think the London boroughs, for example, would have exactly the same thing to say in terms of their being involved in the development of regional policy at the London-wide level as I think you are saying. The other bit which interested me was this: I think it was you, Councillor Faulkner, who made the point about the artificial nature of the Government Office regions and the RDA regions. I take it from what has been said that is a key distinction between the city regions if they develop in the way that one hopes. The document talks in terms of the geography of everyday life (a) is that really the case and (b) how do you avoid the potential conflict between one fairly realistic and natural grouping and something which is fairly artificial? How do the two sit together if we develop the city regions in the way that perhaps you hope we do?

Councillor Faulkner: In an ideal world the structure would follow the realities of life, but it will not, we will not have that. In the North East we will not have two RDAs, one covering the southern city region and one covering the northern city region. It is recognition of what your building blocks are. I think there is an emerging consensus that within this region there is a north and a south city region and we have to make sure that the rural areas are adequately represented and it is not just trickled down. That apart, it would be possible to do it and that could feed through into the regional strategy, but clarity about who does what and who is funded to do what is absolutely essential. My emerging view is that the city region is about economic development, transport and skills. Fundamentally that is what we chose to feature in our multi-area agreement and if the local authorities have greater responsibility within their place-shaping role in local area agreements working with partner agencies on education, social care and so on and have the funding appropriate to do it, that would be about right and we could all make that work. We would still have to do that kind of tie-in of one regional strategy and one RDA, but at least you would understand what the building blocks were better than we do now.

Q320 Bob Neill: What do you think the RDAs and the Government Offices should be doing to help and support you guys in the creation of these multi-area agreements? Are they doing enough, are they getting in the way or is it about right at the moment?

Councillor Watson: We need to get that sorted out as to who is the driver and who is the passenger in the situation. Going back and alluding to the democratic accountability, that needs sorting out, but obviously we would quite clearly say that the elected members through the local authorities should have a major voice in that. We accept through the structures that there should be input from different areas, that business and the community voluntary sector should inform the routes that we take in whichever way through consultation and possibly partaking in whatever structure is there but, as David said, we need to have clarity so that we can work with it.

Councillor Mole: What we need to do is take the people we represent with us. The problem we have got is that people do not understand what all these groups are, they do not understand what is happening every day in the press. Something happens in Westminster and they say, "Well, obviously it was a Scottish Member of Parliament or somebody else who did it" and "Why did they do that?". We need to be able to come back and say, "Look, we've got our locus, we've got an organisation set up that is doing work for the North East of England". We need to get this clear and publicised because until we get the people we represent to come with us and understand what is going on, nothing is going to work because we are not going to get that kind of support. What I really think we need to do to help out with this particular grouping is to say, "This is what we need to do. This is how we're doing it" and let the public know. Obviously there is the support. I keep saying, "We're going to do this" and they look at me as though I have got something wrong with me because they have not got a clue what I am talking about.

Q321 Bob Neill: Does the fact that some housing and planning functions are going to sit with the RDA help the argument there or does that cause concerns as far as the public are saying about ownership, for example?

Councillor Watson: Absolutely. People are always suspicious of change in moving things to a different basis and quite a lot of people who are involved now probably get a little bit precious about their roles, but it needs to be explained. The point Peter made is an absolutely valid one about taking the people with us, and I think we have got to recognise that we, as leaders locally, have the job to do there in putting the case to people of the advantages of working in this way and in a modern world there really is not another option.

Councillor Mole: I would welcome the housing part of it because over the last few years we went through legislation to sell council properties which has devastated areas across the country because we cannot let houses to people if we have not got them. We have got to build them, we have got to make sure there is the affordability and the housing is going to be built, so I welcome somebody outside looking at what we are doing and working with them to do it. I am not quite sure about every housing authority at arms' length, but I will not go into that either. If it is done we have got to address the situation.

Q322 Bob Neill: Can you get the accountability issues addressed in it?

Councillor Mole: Yes, they need to address the situation.

Councillor Faulkner: I think it is possible to do it. The local authority still retains its statutory planning responsibility and when it comes to our relationship with something like the Highways Agency - it is about the only relationship we have - that is a good example of part of a government

agency which local government needs more influence on, on plans, investment and so on. When it comes to housing, none of these issues is going to be easy because basically you have got three options with housing, you either have a single regional strategy where everybody says, "That's how many you can build. That's how many you can build", or you have a free-for-all and each local authority decides for itself, or you let the market decide and obviously none of those answers is correct, there has got to be a very intelligent working between all of those. I think it is possible - you both used the word "clarity" - if there can be greater clarity into the roles and responsibilities and, as I said earlier, let the funding flow from that.

Q323 Bob Neill: Councillor Faulkner, you indicated the key areas you thought the multi-area agreements needed to cover earlier on, is that a general view amongst you?

Councillor Watson: There is a consensual approach to that with what we have already said. The point I would like to make is we are not strangers to this in looking at the conurbations which we represent, a conglomerate of different villages and little areas which have grown up together through different historical reasons. When we go back to our bases we will have different people from different areas saying, "We don't get anything off this council, it does nothing for us", so we are quite used to that sort of disparate view and we can live with it and work with it, but we understand the difficulties and that there are difficulties.

Councillor Faulkner: We also have a record of working together because of all the legacy arrangements which flow from the old Tyne and Wear County Council, we worked together on the fire brigade, the police and issues of transport as well, so there is no reason why we cannot make the multi-area agreement work in those more cross-cutting areas.

Q324 Bob Neill: To some degree it is true of London as well.

Councillor Mole: I think we have got to accept the fact that we are not all of the same political party, but we are all of one voice in the North East of England. The point you are making is that we agree on a great deal of things and one of those which David said, which I would agree with is we do politically as well.

Q325 Julie Morgan: Good morning. We have talked about the different ways that you work together, what other mechanisms are there for you to pursue the common goals that you have told us about?

Councillor Watson: We work informally and we see each other at different things like this and obviously we have an officer relationship across the authority. We do meet in different ways at different times.

Q326 Julie Morgan: It is mainly informal, there are not any other mechanisms which bring you all together.

Councillor Mole: Believe it or not, I am going to get told off for this, but it is the Gateshead/Newcastle Partnership, is it not, David!

Councillor Faulkner: It was the only way we could get you on board!

Councillor Mole: Formalising that as a conurbation from the Gateshead Newcastle is one of the things we are doing officially and working together we have got the Tyne and Wear leaders' meetings.

Q327 Chairman: Is that the development company or is the development company an offshoot of that?

Councillor Faulkner: The development company will be part of it and has given us an opportunity to strengthen the relationship. The interesting thing about that Gateshead/Newcastle relationship is that it has survived the change of political control, which could have been really quite difficult for us, to be blunt, and it has got three important strands to it: one is about tourism, culture and promoting conferences, marketing and so on; the second is the Housing Market Renewal Pathfinder, which covers both boroughs; and the third now is the City Development Company, which will take the two city centres and oversee the dragging in of inward investment to help us achieve our ambitions. If we get assistance with central funding as well we can use our own assets, and we are talking about the asset-backed vehicles as a route for drawing in private sector funding, so we have private sector funding, our own assets and help on the infrastructure side of government and I think that would be quite a powerful cocktail right across the region. Certainly for Newcastle and Gateshead and the relationship with Sunderland too, it is a pragmatic and mature relationship. We understand that at times there are bits of tension between us, but I think there are more times when we are working together than working in opposite directions.

Councillor Mole: Just think of the five local authorities that were Tyne and Wear but when they were exempted it was only going to come to 12 local unitary authorities. There is a will to work together and formalise it. The problem was prior to the Tyne and Wears that went and then we got the other county councillors. We are very, very keen to work together. It is the only way you are ever going to survive politically, regionally and nationally as well and if you do not work together you fall on your backside.

Councillor Faulkner: I would not underestimate the informal in the region that is as small as ours. The informal networking is quite extraordinary and that is across sectors, it is not just politicians, it is the informal networking with the business community. We meet each other quite a lot.

Q328 Julie Morgan: It is like Wales.

Councillor Faulkner: I guess it must be.

Q329 Julie Morgan: What you are talking about there is you all put a bit of money in but you need more money from central Government to take this forward, is that what you are saying?

Councillor Faulkner: I think for the major infrastructure developments we either need greater opportunity to do things for ourselves, like they do in America with local bonds or whatever, or we need more central money hypothecated for us to make the decisions as to what the strategic investments are. Yes, one of the two, either will do, both preferably.

Councillor Mole: I am not a great believer in going and saying, "We need money for this", I think we need to say, "We need money because of this and because of that" and we need to identify it and as a region we are quite capable of doing that, but that is what we do need to do instead of asking for X.

Councillor Faulkner: If you looked at the front page of the Newcastle Journal this morning it kind of reflects exactly how we all look at these things because it lists all the things which the Chancellor announced in terms of major infrastructure and says, where is the North East in this, where is the North East in transporting investment et cetera, et cetera?

Q330 Julie Morgan: I have not had a chance to see that yet.

Councillor Faulkner: It is interesting because every major sector in the region would say exactly the same thing. They would not say, "Stop whinging" or whatever, some of them might! There is a common view emerging and, indeed, even amongst the non-political chattering classes, I think three, four years on from where we started with a failed referendum a lot of people are thinking that was a lost opportunity, maybe we got it wrong, maybe we should have shown greater leadership and really got a hold of the debate. There will come a time when people will want to do it again. In the meantime, what is on offer through sub-national review and all of those give us more of a chance than we have had for decades.

Q331 Mrs James: I want to go back a little bit to the original introduction when you talked about the "No" vote in the referendum in 2004. Have you any views on the reason why the region turned that down at that time? Do you think this has put paid to any future aspirations for a regional assembly?

Councillor Mole: I have got a theory. The theory is that the people who put crosses on pieces of paper are of a generation and that is nationally. We had re-organisation in 1974, we had the demise of Tyne and Wear in whatever date that was, we have had boundary changes, we have had this, we have had that, and I think people thought, well, we have got another structure coming along on top of us now, and when we were knocking on doors, not because we were three councillors, quite a lot of people said, "Look, we're quite satisfied with what's happening in our area, why do we need this?" and I think people were very suspicious of what was happening and they thought they were going to lose what they had. Over the years, and since lots of things have happened, we have come up in the world and people saw that and did not want to stop it or lose it. I am not quite sure that people wanted another change without really understanding why that change was going to be there. There was the point we made earlier on about titles of groups of people, like one North East and all the rest of it, and we did not really know where the headquarters was going to be, it did not come about and people were not sure. To finish your question, of course I think we would be more aware if it happened again and would do things quite differently to make sure we knew where headquarters was going to be, we knew what was going to happen and we knew the answers to the questions. A lot of people asked questions that we did not know the answers to and that was the whole problem.

Q332 Mrs James: You do not think it has gone for a generation now?

Councillor Mole: No, not at all. The people in the North East would like to see something like that, but they want to make sure they understand what is going on. In another life I work in Wales, Northern Ireland and Scotland and have seen the re-organisation of that. I have just spent a few days in Wales with the Remuneration Committee of Welsh councillors and there has been a big change there in mentality. I think we need to understand what the problems were and we have all got the same feedback, but we need to make sure the thing is done properly, but I do not think it is for another generation, if we started to head towards it in the very near future we would get it through.

Councillor Faulkner: There was not enough on offer (a) for people to feel it would make a difference and they could not see how it was going to add much value to where we were with the institutions or powers or whatever and (b) there was not enough on offer, sadly, to motivate the "Yes" people or give them ammunition to make a campaign out of it. It was poor leadership in my view. The "No" campaign very cleverly captured this sort of anti-politician, "It's a waste of money" sentiment. They had this inflated white elephant that they took around the region, very clever, I am afraid, but the fundamental problem was there was not enough on offer and, ironically, there was

less on offer then for a major constitutional settlement than there is now through the sub-national review. We could have made more of what is on offer now in the campaign if we had had it.

Chairman: On that happy note, I think we need to move on to our next set of witnesses. I am very grateful to the three of you. I thought my colleagues ought to see the headline in the paper which was referred to earlier.

Bob Neill: The Evening Standard has got a very similar article, a similar headline!

Chairman: Thank you very much.

Witnesses: Graham Pearce, Aston University and Sarah Ayres, University of Bristol, gave evidence.

Chairman: Ms Ayres, Mr Pearce, we are very glad to have your help in trying to understand how the wiring works. We have heard from practitioners at the local government end of the spectrum and we have got quite a few questions for you about how the system works, I am going to ask Ms James to start.

Q333 Mrs James: Is it possible to identify the key features of the Government's regional policy since the referendum in 2004 and how it has affected you?

Graham Pearce: Since the referendum in the North East there has been a certain amount of drift in terms of policy at governmental level. The reasons for that are to do with lack of political pressure from the local level. There have not been any significant bottom-up pressures in terms of DBERR's reform, so it really has not been very high on the ministerial radar. That has enabled Whitehall and Westminster to have a fair amount of manoeuvre in terms of deciding what it would do. In our report we have suggested that certainly there has been an impression of a rather piecemeal approach to regional government issues until the sub-national review last July. I think there has been lack of political pressures from the bottom and, also, there is increasing recognition that there needs to be a degree of co-ordination, a technocratic solution in terms of the approach to regional policy. One other point I would add is that whilst there is a good deal of rhetoric amongst ministers about dealing with economic disparities in Great Britain, when you look at what is happening on the ground, again, that has been an issue which has possibly been lost.

Q334 Mrs James: What about the move to city regions?

Graham Pearce: One gets the impression that after the referendum some local authorities, particularly in the North of England, saw the opportunity to reassert urban dominance. There has been a certain amount of fair wind behind some of these arrangements around city regions and to some extent the Government's support of multi-area agreements. I think even those people who are supporters of a city region notion have recognised that this is not a substitute for regional government and regional policy-making. The other point, and this is an impression, is there has been a good deal of government support for city regions, certainly two or three years ago, and there was a lot of political support from the local authorities, but ministers seem to have blown rather hot and cold on the city regional agenda over the last couple of years. It is not about a choice between the city regions and regional government. It is quite interesting, what is probably going to happen, and this is reflecting what you have just heard about the North East, is you may see different sorts

of regimes emerging in different regions, so there may be more flexibility than there is at the moment.

Q335 Chairman: There was a change in this region, was there not, from the initial perception of a city region as being a wholly urban area to one which reflected much more the travel to work and the major shopping travel patterns and, therefore, embraced many other areas beyond the immediate urban area. Was that a definite act of policy on the part of Government or did it just evolve?

Sarah Ayres: I think there was lots of academic literature which then began to talk about the functional boundaries of what city regions should look like, patterns of inward investment and travel to work areas and about targeting investment where it makes the best economic sense and that was digested differently across different regions. This idea that city regions then move to a broader aspect than just Newcastle or Birmingham came on to the platform but there were still some real reservations in rural areas that they were being marginalised on the boundaries of that. There were still some real concerns that peripheral areas would be left out.

Graham Pearce: There is also a suggestion from the South East that this is something which has been led in the northern regions and is not necessarily appropriate for the South East or East Anglia, so there are different sorts of solutions coming through in different regions.

Mrs James: There has been a recent focus on the English question, do you think this has affected thinking on regional governance?

Alun Michael: That would be the England, outside London question!

Q336 Mrs James: Could the regional government be a potential solution to this question?

Sarah Ayres: Yes, I think the English question is about improving the governance of England and addressing the constitutional imbalances post devolution and there are two potential positions on that. One is that until you answer the English question devolution will not be fully formed or a done deal and the second is that you can potentially leave the English question unanswered indefinitely. The only problem with answering the English question is having some viable solutions and that is where we have got a problem. Post the North East referendum elected regional assemblies are off the political radar for the foreseeable future but not necessarily forever. My understanding is that there are some quite significant constitutional, political and technical barriers to implementing a "votes on English laws system" or an English parliament. You have already heard the details on that in previous evidence given by Professors Geoffrey and Hazel, so I have got nothing more to add to those details, other than to say that they do not look particularly like viable options in the immediate future. That just leaves the Government to tackle the English question under administrative decentralisation and I think that is what they are trying to do, putting down more functions and powers to the existing administrative tier. I think they are trying to do that through the recently published sub-national review and also the Governance of Britain Green Paper. There are two strands at work, two debates going on. One is the kind of regional accountability and democratic deficits debate and agenda, which is about giving regions more voice and more power. The other one is about how to make the system work better, the technocratic argument, which is about efficiency, effectiveness and economic productivity, which perhaps is the sub-national review remit. That is perhaps how the English question is being dealt with immediately.

Q337 Dr Whitehead: When you say how the English question is being dealt with, one of the striking phrases in your written evidence is your "but" phrase, which is on page three of your evidence, "...devolution has not altered the fundamental nature of Whitehall...". Do you mean by

that Whitehall as in a bureau building by civil servants attempting to maintain their particular influence or politicians unable to grasp that devolution entails differential changes in how the centre then organises and operates itself within itself? Which of those two do you favour?

Sarah Ayres: I think it is both, there is an issue around both of those. If you look at regional policies and regional strategies, central Government sets the remit, it sets the objectives and regional policies still need to be signed off by secretaries of states, so there has been no real challenge to the centre. The Government has tried to introduce things like regional priority documents, which was getting the regions to identify priority areas of spend. These messages were then sent up to Whitehall departments and then they were asked to reflect on these in departmental spending plans, but our research seems to say that there is very little evidence of regions influencing the centre. Also, our research has identified big differentiation across departments in their response to decentralisation to the English regions. You have departments at the forefront, perhaps the Treasury, DBERR, DCLG, but even in these kinds of region-friendly departments, regional teams might only be two, three, four people and the work only affects certain strands of the departments. There are huge areas of DBERR that are completely un-region touched or focused. Then, also, you get departments which are being resistant or perhaps even hostile to the regional agenda, perhaps the big delivery departments like Health or DWP who have no real interest in engaging with the regional tier at all. It is a case of the bureaucracy of the organisation perhaps not having the mechanisms to take on board regional views, but I do not think there is a political drive from ministers to grab it either. It is a two-strand barrier, if you like.

Q338 Dr Whitehead: Your description there suggests that a number of departments are actively opposed and continue to be opposed to the idea of genuine regional devolution or, secondly, where there are dips of the toe in the water of regionalism they still relate to vertical responsibility upwards towards the central department.

Sarah Ayres: Yes.

Q339 Dr Whitehead: What are the implications of that for regional governments in the future for England if that is the case?

Sarah Ayres: I think the immediate problems are that it is difficult for regional bodies to develop policies for territorial distinction and joined-up policies when Whitehall itself is not joined-up and has no mechanisms available for digesting regional views in a sense, so that is an immediate problem. Also, it is problematic for regional bodies to engage with departments with very different levels of enthusiasm for regional working, that can lead to some complexities. In the future there is perhaps a more pressing problem in that if the Government wants to revisit the elected regional assembly route it needs to learn from its mistakes and I think they were touched upon in the previous session where there was not enough on the table. If elected assemblies are to come back on the agenda, I think there is an acknowledgment that it will need to be repackaged and there will be a much stronger assembly which might convince a sceptical public. That will require more consistent and comprehensive commitment across Whitehall. If the public and regional bodies see that Whitehall is reluctant, as it appears to be at the moment in lots of areas, then I do not think they are going to persuade the public to say yes in a referendum. Those are the kinds of implications of a reluctant Whitehall.

Q340 Dr Whitehead: Your description of the Government's piecemeal approach to English regions, in your view is that the determining factor in that piecemeal approach or are there other issues at work there?

Graham Pearce: That is absolutely right. Going back to the point which we made earlier, you do get the impression that Labour's commitment to constitutional change was pretty clear in the first term, but that was really a concern about the Celtic regions and tackling the London issue. There was some support within the Labour Party and elsewhere for regional government in England but it was fairly limited, so there was no real pressure as there was elsewhere in the UK for changes within the centre. Because England is so large, it is 85% of the population, as you probably realise, in a sense Whitehall and Westminster have been allowed a lot of flexibility just to carry on as they have done in the past but, as we all know, it is very difficult for Whitehall to join up, interconnect and tackle what we call "wicked issues" and they are not really designed for territorial management in any case. There is also a sense that individual departments, as Sarah said, have shown varying levels of commitment to the regional tier and they are also often responsible for taking particular initiatives themselves and those are not joined-up, that may be something you will want to come back to. Although the sub-national review is not explicit, it recognises those weaknesses. Of course it does not say that because it is a Treasury led document.

Q341 Dr Whitehead: Can I touch on the Government Offices of the regions. You mentioned that they are struggling to integrate separate Government initiatives, but do you think there is a particular series of factors relating to the very structure of Government Offices? I could take you down the route of the role of General Franco's regions in Spain post-devolution, but we will not perhaps go down that route. Are there particular fundamental differences between Government Offices which go from the centre outwards and the idea of regional devolution which goes from the bottom upwards or outwards which cause that problem of delivering policies or are there other issues?

Graham Pearce: I think the issues in terms of the Government Offices reflect our response to the previous question in a sense, the notion of functionism within Whitehall. Integrated regional offices, as they were called, were established under the Major Government in the mid-1990s because it was recognised that the government was not really connected at the regional tier, and at that point there were three government departments brought on board. What has happened in recent years is an increasing number of domestic departments have become co-located, I think is the term, within the regional offices but, again, the funding for Government Offices, although it is the funding they are responsible for, for inputting, is dominated by three different government departments - DCLG, DfT and DBERR - and although it looks as if the Government Offices have control, much of that funding is allocated. We did some work a couple of years ago looking at funding of Government Offices and we found that some of them included the funding for the RDAs in their chunk of money but then others did not because, in fact, the money is almost a sort of postbox for funding, the money just goes from the Government Office to the RDAs or it did in those days. Similarly, local authority transport funding is directed through the Government Offices and then it is sent off to local authorities. The extent to which the Government Offices are able, as they are intended to do, to bend government resources in order to meet the particular needs of the region, they have relatively limited flexibility. The way in which accountabilities work in Whitehall, in fact it would be quite difficult for Government Offices to have extended flexibilities.

Q342 Chairman: Put it this way, they cannot make the kinds of choices that the Scottish Government can make in deciding to move things across.

Graham Pearce: No, they are creatures of central Government.

Q343 Chairman: And central Government does not choose to say, as it sometimes did pre-devolution in Scotland, "Well the Scottish Office can decide if it wants to make some significant moves".

Graham Pearce: That is right. It is a debatable issue. The Scottish Office and the Welsh Office existed a long time ago, a long time apart, and that legacy does not exist to the same extent in the English regions. It is perhaps a little bit better than it was but it is still not present.

Q344 Bob Neill: Can I come in on the Government Office point while we are on it because, wearing my other hat as an Assembly Member, I was interested in some evidence that Tony Travis from LSE gave. His argument was - although he put it in a London context, he was suggesting it was applicable generally - that Government Offices suffer because they are set up on a fundamentally contradictory premise. On the one hand, they are the voice of the regions to government and, on the other hand, they are the Government's representative to the regions, and the two are contradictory.

Graham Pearce: Sorry, I should have come back and responded to that immediately in that, as you say, they are the ears of Whitehall but they are also there to represent the regional community and that is a very, very difficult issue to deal with.

Q345 Bob Neill: How do you get around it? Can you get around it?

Sarah Ayres: Again, when we were doing our research and we were talking to Whitehall departments engaged in regional working, people who were wearing the regional hat in different departments were absolutely clear about what the role of the Government Offices was. It was to champion central Government policies in the regions and make sure that was delivered and they were absolutely clear on that. You are right, it does place Government Offices in a potentially tricky situation and it makes it difficult for them to engage in effective partnership working with their regional partners. I can think of a quote which came out of a report that Graham and I did where an RDA chief executive said, "The Government Office always comes with a non-negotiable situation", which makes partnership working redundant from the start. Whitehall is clear about their role and remit but that leads to frustrations in the regions to do with partnership working.

Q346 Dr Whitehead: Bearing that point in mind, to return to the Spanish example, even though *autonomía* were written into the Spanish constitution, the Spanish Government was absolutely reluctant to remove its grip on its original regional organisation precisely because the government whip could then move into the regions. Is it then an irresolvable problem in terms of the machinery of government or is it something that should shift in terms of how devolution works?

Sarah Ayres: I think there is almost a bit of a Catch 22 going on in the English regions since 1997 which is about the regions saying, "Can we have more control over certain functions and decisions?", Whitehall saying, "Well, no you can't because you haven't demonstrated that you can do it" and the regions saying, "We know, that's because you haven't given us the chance". There is that kind of stalemate going on about the degree to which Whitehall is reluctant to let go of certain functions. If the regional tier is going to do the job that it is designed to do, which is about developing territorially distinct policy initiatives, then it is going to have to have some more control over the decisions that it is charged with. Until it does, then it is going to be really difficult for it to secure any real added-value.

Graham Pearce: We did have a look at the French model and the prefectures which involved central Government representatives within the regions, and this is applicable in other European countries as well. From what I can gather, they have a very high profile at the regional level. They are not political appointed, they are civil servants, as far as I am aware, but they do have a fairly high profile in the French public's eyes, which is not something that the director of the Government

Offices has because no one really knows about the Government Offices in the public. Perhaps the regional ministers will rectify that matter, but I somehow doubt it.

Chairman: I have known directors of Government Offices who thought a high profile was appropriate for them.

Q347 Alun Michael: Having had some engagement in regional policy in relation to the Government Office, I have to say I think there is a lot of oversimplification going on here. My question comes, to be frank, from some frustration on reading your paper because it puzzled me and it reminded me of F.E. Smith's comment, "This pudding has no theme". You refer to the English question, which is the England outside London question, you say at 5.2: "... in England the tentative decentralisation of territorial management has resulted in diverse institutional approaches in different regions", well, why not? You say that RDAs are judged on national rather than regional targets, I am not sure that is true actually, but you also say particularly that a number of factors hinder the effective running of the RDAs. Taking that as your headline critique, where does it take you? What are you getting at? What are you proposing? Where is the sense of direction? I did not feel anything from the paper that showed me where you were going on your analysis.

Sarah Ayres: We spoke about this last night and we were saying what is the answer to this. In a sense, both of us were thinking if you want to really address the English question and some of the deficiencies we are talking about, elected regional assemblies seem the only option, but where that is not going to happen in the immediate future, because there is no political or public will, you have got to work with what you have got. I come back to the argument which Charlie Geoffrey gave you in previous evidence, which is about moving down mechanisms, functions, maybe controlling the funding streams, more accountabilities and strengthening the regional tier under administrative decentralisation.

Q348 Alun Michael: With what mechanism?

Sarah Ayres: Things like regional funding allocations which have just been introduced where the regions now have greater control over ring-fenced pots of money for transport, economic development and housing policy.

Q349 Alun Michael: Into the Government Office?

Sarah Ayres: Yes, those pots of money go through the Government Offices.

Q350 Chairman: The Regional Transport Board.

Sarah Ayres: Yes.

Q351 Chairman: To illustrate an example of that, when the Regional Transport Board in this region looked at it, it discovered that if it wanted, for example, to dual the A1, a major strategic project, it would have to abandon all the second order projects throughout the region, so the capacity has to be sufficient to make strategic decisions.

Sarah Ayres: I think that is right. That was one of the things which the first round of funding allocations was criticised for, that there was not enough money so, like you said, if you have got a big project then all the other smaller projects fall aside. There is a second round of funding allocations starting later this year and the guidance is out in the summer and maybe the Government

has listened to some of the criticisms of the first round and might increase that pot of money to avoid some of those problems which were identified in the first.

Graham Pearce: Going back to your particular question about RDAs, they have a budget of just over £2 billion a year, but in terms of their objectives which is to assist in reducing economic disparities in England, that seems to be a relatively limited amount of resources and, therefore, they are dependent upon some of the other public bodies located within the region, the Learning and Skills Councils for example, for a substantial amount of money which relates to economic development. They are not entirely in control of their own destiny.

Q352 Alun Michael: You seem to be arguing for a fairly Stalinist approach to economic development then.

Graham Pearce: If you try and measure RDAs on the basis of whether they have achieved their objectives in terms of contributing to the development of regional economies, even the RDAs in rather trenchant criticism suggest that it is very difficult to demonstrate that they have had the significant effect that they sometimes claimed to have had.

Q353 Alun Michael: Again, that is more critique but no answer.

Graham Pearce: I suppose I am raising the question about the distribution of resources.

Q354 Alun Michael: I suppose I am saying that we are quite good at questions, it is answers we are looking for.

Graham Pearce: It is a political question and it is about the distribution of resources within the UK. I suspect that as we are in the North East that might be an issue which would be interesting here and I guess in Wales as well.

Chairman: Are there not two issues, there is the inter-regional distribution and there is also the extent to which money spent within a region is determined by the regional structure, which is much higher in Wales, for example, than it is in any of the regions in England?

Q355 Alun Michael: Chairman, there is, but the allocation of resources in the North East, for instance, reflects the greater economic problems of the region. You have had criticism from Alan's region, for instance, and that is why I come back to the question - and the tasking of RDAs reflects the different natures of the region - what is this paper driving at? Where are you taking us? Where are the answers?

Sarah Ayres: I think the sub-national review begins to address some of the problems in terms of giving the RDAs a much clearer tasking framework. We have a central PSA target now - just one, I know there are some other shoot-offs from that - which is about economic development, a slightly different structure than they have had from 1997, which was based on regional administrative boundaries, now we have got multi-area agreements, investment where it makes best economic sense, driven by local authorities a bit more and that begins to answer some of those problems. Some of the answers lie in the sub-national review, but we have not got the guidance, it is just about to come out and we do not really know how it is going to unfold. There are lots of concerns that local authorities have been given a remit to engage in an economic development dialogue, but there are some concerns, perhaps, that the RDAs have to consult the local authorities but the local authorities have not got a veto. I think local authorities face a really challenging role because, on the one hand, they have got to shout for their corner, if they did not they would not be doing their own

job but, on the other hand, as a region of local authorities they have got to present a coherent united voice to the RDAs so the RDAs can draw some sensible conclusions from that. I think there are going to be some real tensions between local authorities, on the one hand, shouting their corner and, on the other hand, coming to a consensus view about where investment should go. My recent discussions with ministers indicate, from the Treasury perspective at least, that they do not want jam spreading, they do not want winners across the region. Equity is not about social justice, it is about making investment where it makes best economic sense. There are going to be winners and losers and there are going to be turf wars, but that could potentially give the RDAs an excuse to ignore local authorities, they cannot come up with a coherent voice, so we will place investment where we want it. I think the sub-national review raises some answers to the question, which I think is what you are probing for, but there are also some potential downsides there which could be dangerous.

Q356 Bob Neill: I was interested that you would be leaving that job for the RDAs in a sense now because you are quite critical, I think, of the assemblies: fragile institutions, lack of legitimacy, confusion as to what they do, there is a lack of accountability, all of which most of us would probably agree with, strategic overload. Under the new dispensation from 2010 what is the difference going to be? Some of these things are going to be passed on to the RDA. Is the RDA going to be any more robust as an institution than the regional assembly has proved to be?

Graham Pearce: You are right, the assemblies are very small bodies, they have a total annual budget of less than £30 billion a year and I suppose they are fairly easy targets. They have a limited voice in Whitehall, lack of democratic legitimacy and so on. On the other hand, they have provided quite an effective forum for local politicians to work at the regional level. I am not sure about the South East, but there were certainly Local Government Associations in all the other regions. They were useful in providing a forum for that and also providing a forum for social and economic access to the business community and environmental groups and social groups to come together.

Chairman: But they are going.

Alun Michael: Exactly, they are off.

Q357 Chairman: The assemblies are on the way out.

Graham Pearce: Yes, that is right. I thought the point you were asking was what difference is it going to make if they go.

Q358 Alun Michael: The point I am making is you identify a number of criticisms of the regional assemblies and as from 2010 some of the key functions go to the RDAs, but do those criticisms not still apply effectively?

Graham Pearce: That is right.

Q359 Alun Michael: If anything, what can you do, for example, to improve the accountability of the new style post-2010 RDAs? How do you make that fit with the development of multi-area agreements? What input should local authorities have, those sorts of issues interest me.

Graham Pearce: I do not think it resolves the problem of the tensions between the economic, the environmental and the social, which has been alluded to in terms of the tensions between the assemblies and the RDAs, it does not resolve that. The danger is that if local authorities do not have sufficient confidence in the RDAs they may lose confidence in the process of the RDAs. There is a

suggestion in the South East that there should be some kind of dual key approach in terms of signing off the single regional strategies. There is also a question mark about the abilities of the RDAs, given they have a particular culture, they are business led bodies, their relationship with some local authorities has not always been comfortable but they are going to have to become increasingly reliant upon the local authorities in terms of delivering their strategies.

Sarah Ayres: I think there is a concern about the capacity of RDAs to take on some of the functions of the assemblies. There are already capacity concerns about the RDAs being willing to let go of the pots of money they have got. They have always been strategic bodies as of 1997, but I think Whitehall and DTI and now DBERR have criticised them along the line for being really reluctant to let go, they want to get involved in delivery and they are reluctant to stand back as strategic bodies, that could still apply and that is a problem. There is also a problem in terms of taking on the functions in terms of planning and transport which the assemblies have had. I am sure some people with expertise will move straight across from the assemblies to the RDAs, but it is not going to be their primary concern. They have a clear strategic framework now which is about this PSA Target 1, about reducing economic disparities, so it does beg the question about whether that is going to be their sole focus and certain issues, perhaps towards sustainable development and social issues, might fall to the wayside and that is another problem. The final point I would like to make is about the role of social and economic partners, business groups, voluntary groups, trade unions, and our research has identified that they made a really valuable contribution to regional debates and executives in what we call the troika, the RDA, GO and assembly have really praised social and economic partners for being less parochial, more innovatory and really committed to the regional agenda. The sub-national review office have no protection in terms of their continued regional stage and that is a real problem.

Q360 Bob Neill: That is a very interesting thought. We have raised a few European analogies, I am interested in your point about the way that does seem to happen in France with the *communautés urbaines*, the greater Toulouse, the greater Bordeaux, which are not dissimilar to the way multi-area agreements work but which do have a significant input from the social partners.

Sarah Ayres: Can I come back on a very small point, which is quite important to make. The Government has got to make its commitment to the social and economic partners quite quickly because there is a danger that they might become disenfranchised. For a long time these organisations worked at a local level, then when the regional agenda kicked off in 1997 there was some Home Office money, "Build your capacity at the regional level because that's where the action is", they have spent the last ten years doing that and really making some full effort to engage. Now all of a sudden the action is potentially not there anymore, it is at multi-area agreements and, of course, these organisations have not got the slack resources to be at meetings in Birmingham, then another one in Hereford and another one all over the place. Unless there are some funds and commitment you could lose a really valuable resource because people could become pretty cheesed off.

Graham Pearce: I would add to that in terms of local authorities becoming potentially disengaged from the process. In order for them to maintain an effective regional voice, they have got to be prepared to put some resources into it and unless they feel they have some potential impact in terms of RDA, what will become an RDA function, they are going to become dreadfully unhappy about it. There is the question of resources and, also, there is the political commitment to getting involved. At the moment I think there is funding, for example, for regional scrutiny by assemblies, but we do not know yet what is going to happen to that, whether that will be transferred to local authorities or whatever. One final point, whilst the SNR indicates the focus of local authority scrutiny on the

regional and economic development function of the RDAs, there is no reference beyond that to outstanding issues and wider issues but that is still to be sorted out.

Chairman: Thank you very much. You have left us with some more questions that we will have to deal with but we need to move on. Thank you. We are very grateful for your help.

Witnesses: Professor John Mawson, Warwick Business School, Phil Davis, George Morran and Mary Southcott, Campaign for the English Regions, gave evidence.

Chairman: Professor Mawson, Mr Davis, Mr Morran, Ms Southcott, welcome. We are very glad to have you with us representing a particular point of view. You have brought in reinforcements, but we have not got any additional time, so if you can share your time out very economically.

Q361 Julie Morgan: We have heard some views this morning about the reasons for the "No Vote" in the referendum, could you tell us what you think were the reasons for the overwhelming "No" vote?

Phil Davis: Can I say, I do not think we disagree with the reasons previously put forward. The important thing is to move on and look at the agenda as it is now being set out, particularly on the basis of issues raised in the Governance of Britain White Paper, but also the many issues you have already raised. Can I say, Professor John Mawson submitted our paper, which is the main document you have got, I understand, my colleague George Morran is the secretary of CFER, ex-local Government Office, and Mary Southcott is from the South West Constitutional Convention. Three of us are from the West Midlands, so I wanted to indicate we are not purely from one region and, of course, we have colleagues from this region.

Julie Morgan: I know you have been coming forward with proposals but I still want to know why you think it failed.

Q362 Chairman: Put it another way, if we had it again now what would have to happen for the result to be different?

Phil Davis: I think the offer has to be stronger, that is certainly true, we said that at the time. Essentially it may be a mistake to move down the referendum track in that we have suggested, we have implied, and it is referred to in the paper, that one way of resolving this question of moving to elected regional assemblies, which, of course, is our baseline position, is that the reform of the House of Lords would offer that prospect. If you move to election of the Second Chamber based on regional election, rather like the MEP elections, you could then have 25 people from each English region, you could then designate them with a dual mandate sitting in the Lords and both as a regional board and you could vest them with the powers still in statute, as I understand it, in the elected Regional Assembly's Act or better powers, which would be our preference. That is the important issue to look at potentially, although we appreciate that is not necessarily on the political agenda at the moment, but it is an idea worth considering.

Q363 Julie Morgan: Obviously people may have to vote for that or there may be the situation where it has got to be supported, how do you see that happening?

Phil Davis: It is up to the Government to make a case for effective devolution to deal with the asymmetry which we currently have in the UK. Again, the issues have been well canvassed by previous people in evidence to you. The problem we face is moving from the negative vote in the North East to raising the issue back on to the wider political agenda. That is perfectly do-able, it is do-able because it needs to be done because the problems you have just been talking to people about have not gone away, the English question is still there and the West Lothian question. In our view, it will only be resolved by creating an accountable structure which allows the tough decisions to be taken by elected people who are removable in each of the English regions. Without that, then anything else is a do and mend process. It may be welcome, it may be possible to improve the present process and there are aspects of the sub-national review which could do that, but it is not an answer to the fundamental constitutional question of balancing the new UK devolved constitution. A trigger for that, of course, were the positive votes in Scotland and Wales. In a sense, that is what has begun the process, it is an organic process.

Q364 Alun Michael: And London.

Phil Davis: Yes, and London, of course. We need to finish it off in the rest of the English regions.

Professor Mawson: Could I add, albeit there are some arguments for and against the sub-national review, we have taken the view that the present situation is not a long-term solution, it has basic fundamental weaknesses. If I might pose to you how it looks to a politician or, in fact, increasingly to the general public. In a region like the West Midlands with five million people, Scotland has five million people, they look North and think, "Well the economic, social and environmental problems are not that different..." although conceding the geography is different, "There is a Secretary of State in the Cabinet. There is a devolved block budget which has virement capabilities and then fixing and resolving Scottish solutions in a Scottish way flows from that. They have a unified civil service. From an English regional point of view they have a representative to take their case to the European Union...", and let us remember, a lot of the structural European funding issues are regionally spatially based and allocated, and the whole of the English regions are disenfranchised through the processes in Brussels. I think in other respects we had the questions around the Barnett Formula. There is a whole range of mechanisms available to the devolved nations which are of a relative size similar to most of the English regions. I do not believe that is sustainable.

Q365 Julie Morgan: Are you saying that is what people want, that is what a lot of people feel in the North?

Professor Mawson: I think the issue is most people were not told in that election campaign. In my view, there was no commitment inside the Labour Party, apart from one or two key politicians, to pursuing that agenda with vigour. I seem to remember a lot more money was spent on the original referendums for the Scottish and Welsh Parliaments, other than a few bob for the North East. We had senior ministers coming up here not knowing a brief on the North East issue on the telly.

Q366 Julie Morgan: Obviously that was how you saw it then. Are you saying that now people in the North East are wishing they had the ---

Professor Mawson: No, because, as Phil has said, unless there is political leadership from the centre we are never going to get very far down this road. Until the Government believes in it, then we are not. That is where I am positioned. On the point of the European situation, there is an UKRep secretariat and the nations are more formally present and represented than they are for the English regions, which are represented by one official and one minister.

Q367 Julie Morgan: Can I just be clear, your long-term aim is for an elected regional assembly?

Professor Mawson: Yes.

Phil Davis: Absolutely.

Q368 Julie Morgan: That still remains your long-term aim, but you have got a practical shorter-term view?

George Morran: We have got to deal with the here and now. What is important, and it has not been touched on today, is what the public, not people involved in the institutions, the political elite are saying, but the public.

Q369 Julie Morgan: Yes, that is what I am trying to get at.

George Morran: -The public do not have a view about, "We want an elected regional tier", but I think there is a lot of evidence that the public in England feel very detached from their government, their politicians, very, very detached and there have been a number of inquiries which have addressed that. What is a very serious issue which requires leadership from this Committee, and it does need a really good lead, is to offer the public, not just the existing institutions but essentially the voters, a real way forward where they will feel they are getting a fair deal. Our view is at the moment in England there is a substantive view that they are not getting a fair deal in terms of their ability to influence their lives.

Q370 Chairman: We are going to move on to some of that in a moment.

George Morran: That is where we are coming from and we see elected regional government ultimately as the real way of doing that in a UK context.

Q371 Chairman: I am going to ask you, because you are entitled to give a view about it, to respond to what some people in this region do say, which is "We voted against this regional assembly but we still seem to have it with all these regional bodies which exist. Why were they not all swept away and all the powers given to local councils?". That was quite a common reaction amongst those who originally opposed the assemblies.

Phil Davis: It is a bit like good engineering, is it not, good sewers and so on, it is all hidden, and good planning. People assume it is the natural way, it all works out, nobody looks at the work that goes on and it is the same with the hard work of regional planning and regional partnership. As an organisation we are committed to regional partnership. It is an argument which is difficult to convey, much like the work that politicians do behind the scenes about the value that provides to the community or the national community. It is a difficult argument to deal with. In the end, of course, people judge institutional arrangements by whether they produce a better outcome for them, it seems to me, and that is the difficulty of engaging people in these technical debates around structures. When I was leader of a local authority I was interested in regional government because I thought it might produce a better rail service or bus service for people in my patch and that is the fundamental judgment about whether regions are worth supporting and whether elected regions are worth supporting. Our view is to clear up a lot of the problems which you have identified in the evidence coming to you today elected regions are the only fundamental long-term answers, just as elected government in London has not been the absolute answer but the only way of managing a city region like that.

Q372 Alun Michael: You referred there to London and that is one of the things which I was puzzled about, Professor Mawson's comment, because I think we are all frustrated about the coverage of the disparities across the United Kingdom. You are saying you see regional government as an answer, I am prejudice in agreeing with you, but it seems to me that not referring to London with its bigger population and without direct representation within UKRep, probably having more say in Europe than Wales or Scotland, actually ignores a bit of the existing disparity which is within England.

Professor Mawson: I think we have made reference in the first part of our paper to whether or not the model, as you are describing it, is relevant to the other English regions. The point we made was, first of all, that it is a continuous urban area, whereas the eight other regions have got complex urban rural relations.

Q373 Alun Michael: I would accept that and you made your point well in the paper, I am simply making the point that it exists as an element of devolution which is within England.

Professor Mawson: What we would say to that is we are happy with a diverse arrangement of devolution and, therefore, we are very happy with Scotland, Wales and Northern Ireland and I think we should also have a similar approach to give them the maximum amount of flexibility to shape the structures of government to the context within each of the regions.

Q374 Dr Whitehead: You have mentioned in your written evidence that a number of business leaders, community leaders, et cetera are beginning to appreciate the advantage of regions and how those may produce benefits. Is that not just - as we have heard in previous discussions - a marginal expansion of the elite arguments for regionalism and is it not, perhaps, the case that the public as a whole is never going to appreciate the planning, the trains and the regional economic development and, therefore, you just do it and all this business of having regional referenda is an impediment rather than a democratic mandate? Indeed, if you look at the position elsewhere in Europe, I think not a single country which has engaged in serious devolution has done it via the referendum process, including the British Army imposing it in West Germany.

Phil Davis: Yes, clearly you want to make a case, but it should be made through the normal parliamentary process. That is absolutely right, the referendum process is a dead end. Why should one result in the North East, significant as the North East is obviously, block progress in terms of resolving the logical constitutional growth of the United Kingdom set in train by significant changes in Scotland, Wales and London. That is the beginning of the process. Let us finish the process on the basis of clear principles of democratic accountability, that is what we are saying, so we would agree with you on that.

Dr Whitehead: I was not necessarily agreeing with myself.

Q375 Alun Michael: You rarely do, Alan!

Phil Davis: I think that is a strong point.

Q376 Dr Whitehead: I was putting that forward as a proposition. Is there not a fundamental problem then of bringing about something which is claiming to greatly enhance accountability and regional democracy by a completely non-democratic process? Is that not the fundamental problem which is being faced at the moment?

George Morran: The analogy at the moment is the Government is offering unitary local government in areas and I do not think there have been referendums for those.

Q377 Chairman: Well there has and they have done the opposite.

Professor Mawson: Can I respond to Alan. What has emerged over the past decade, and I have been doing some work on this, is that all the business communities in all the regions of England have recognised that economic issues are moving upwards in terms of geography and scale and the old chamber of commerce days, yes, fine, we have still got to work with the small firms, but most of that work was the regional development decisions and investment decisions of government and, in fact, we are moving upwards beyond that European and global. That has been reflected in, first of all, the regional assemblies having stakeholder groups which have formally included the business community and that stakeholder group then worked successful, in my opinion, having done work on all eight regions over three or four years in terms of these issues. Largely the voluntary community business sectors have operated well together and often shifted the ground of the local authorities who at that stage were controlling the agenda. What we would go on to argue is that in the absence of elected regional government we would advocate the creation of much greater enhanced partnership and scrutiny roles in this new sub-national review framework which is on offer at the moment.

Q378 Dr Whitehead: Again, that is an interesting take on what has bubbled up subsequent to the failure of the referendum in as much as you could say, well, maybe the trigger points are agreement of various institutions in regions that this is a way forward, but if one did that, then there is still a question, again the question we were previously discussing, of how machinery of government in the regions outside London actually works and whether that would then fit in subsequent to those changes.

Professor Mawson: We have some proposals.

Phil Davis: We would like to submit a further paper around some of the issues concerning the role of regional ministers and regional scrutiny processes because there are many unresolved questions there. The introduction of the regional minister is a very interesting and positive idea, but it is unclear how it alters the relationship between the centre and region and whether it is a regional agenda which is being addressed or a centralist agenda and where is the transparency and accountability process, particularly in terms of a scrutiny process in the regions. Obviously we know about the discussions around Select Committees and so on, but those are issues which do need some resolution in the context of any further review. As we understand, there is going to be another review around the omission of the social and economic partners from the sub-national review proposals, then perhaps there will be an opportunity to pick up some of those questions there.

Professor Mawson: Can I expand that by saying I think there is a danger here that we have replaced one indirectly nominated approach, which is putting elected members from councils to oversee all this public expenditure, and instead we have got an indirectly nominated minister who just happens to be from one parliamentary constituency out of 58. I am not sure that this is any greater move further on decentralisation unless the function, role and accountability of the minister is properly tied up and I do not think we are going down that road at the moment. I have looked at all eight regions in terms of the proposals at the moment to develop leadership boards and other arrangements and it is not for me, because I am not a politician from the region concerned, but in the case of the North East, a regional board is being set up to provide the leadership for the single national review and all the other regional policy issues which will be chaired by a regional minister. The same situation is emerging in the East of England where we have a regional board with local authorities, private sector, stakeholders but, frankly, and I have worked for many years at the

regional level in local government and inter-agency organisations, if you have a minister sat around a table with councillors, et cetera, et cetera, I do not regard this as a partnership in terms of developing the single regional strategy.

Phil Davis: There are many unresolved questions raised by the sub-national review and that is one of the fundamental ones.

Q379 Alun Michael: In your submission you make the point that significant areas of public expenditure at a regional level reside outside the ambit of the Government Office and the Regional Development Agencies. As a statement of fact that is fine. It is inevitable, is it not, even desirable in relation to some funding strands, albeit it creates a tension? I wonder if you can illustrate that in order for us to understand the point you are making by making that statement.

George Morran: If I could give you a few facts. This is related to some work that CFER commissioned. It was in relation to the West Midlands, in fact our colleagues behind did a lot of the technical work. In 2001/2002 we estimated there was about £22 billion of public expenditure in the West Midlands and about £16 of that was central Government. If you take out social security, which was about £7 billion, that leaves £6 or £7 billion largely being delivered through what we would regard as unaccountable regional quangos and executive agencies. While there have since those times been some changes in terms of making some of those expenditure streams more accountable, our view would be, but we have not done any recent work on this, that it is still largely the same.

Q380 Alun Michael: You are referring to it in terms of accountability, can you illustrate it, please, so we understand what you are talking about?

Professor Mawson: If we take the overall regional delivery of public expenditure through regional strategies in each region, as George was discussing a minute ago, a very significant proportion of it we can account for going directly through things like police authorities et cetera. What we are alluding to is the remaining amount, which is in areas like training, LSC, transport, the Highway's Agency, that kind of thing. I have done quite a lot of work on Government Offices and if you go to the 2002 White Paper on Devolution in the Regions, there was a specific chapter on Government Offices where it was stated quite clearly that regional directors were expected to deliver regionally relevant expenditure to the table in the development of regional strategies. We move on to 2006 and the Government Office review again makes the same statement. We heard this morning that councillors on the front line clearly do not think that is happening. I certainly do not think it is happening because I have talked to civil servants, et cetera. If you are saying what is the concrete solution here ---

Q381 Alun Michael: No, I am trying to get to the problem. You gave one concrete example which was that of training. In relation to training, I cannot see that it is likely that would be merged in other funding streams, you want the skills to be developed.

Professor Mawson: Absolutely.

Q382 Alun Michael: The attempt to bring it together, it may not be a satisfactory solution, is the Regional Skills Strategy to bring together the work of the RDA and the skills work at a regional level so it suits the needs of the region. I am trying to understand the problem that you are facing.

Professor Mawson: Let me give you the problem. I have spent the last three years working for the National Evaluation Neighbourhood Management for DCLG on one neighbourhood, watching how

that neighbourhood management partnership seeks to bend the programmes and activities of various agencies.

Q383 Alun Michael: Yes, but you are now down at the local level.

Professor Mawson: I am at the local level but that is part of the SNR. The key element is how does that whole structure deliver public services and this is a key example because the DWP has a very traditional hierarchy top-down model.

Q384 Alun Michael: I recognise that immediately.

Professor Mawson: What happens when it gets down to the local manager who sits on the neighbourhood partnership board is they have not been able to contribute to the employment and training objectives of that neighbourhood.

Q385 Alun Michael: I can accept that straightaway, that is a DWP problem which I think many of us would recognise immediately. I was trying to get an illustration of why you are saying that because this is a key point you have made about this money outside. That would be solvable, for instance, by changing DWP's way of working. What are the other sorts of ways?

Phil Davis: Maybe a key illustration is transport. As we know, there are major allocations of transport funding, regional transport allocations, clearly. The Government has improved the situation where there is at least a process now of agreeing regional priorities and consultation effectively, but the Government, of course, determines the ultimate outcome if there is no agreement. Clearly that is in sharp distinction with what happens in Wales and Scotland with the block grant system where there is local control over the transport resourcing available and for me that is a key distinction around regional empowerment.

Q386 Chairman: You are talking about the ability to move from, for example, for the sake of argument, Health to Transport?

Professor Mawson: Yes.

Phil Davis: Of course. For example, the Government has thankfully agreed to put a large amount of money into New Street Station, a £600 million project, as you know.

Q387 Chairman: Does that trigger a Barnett Formula payment to Scotland?

Phil Davis: That is an interesting question, we will not go there, I hope!

Q388 Alun Michael: It is a good question though!

Phil Davis: For me the grown up solution to funding a big project like that was for the region to be able to say, not through the RDA because that is government money after all, "We will put £200, £300 million on the table, will you match that?". It is about that sort of debate on an equality basis instead of going cap in hand. Of course, that is the key issue about the lack of empowerment currently, much as I welcome what the Government has done to improve allocations.

Alun Michael: I think that helps a lot, but what might be helpful, though, is perhaps you might supplement that point on the table with some further illustrations. That is helpful.

Q389 Bob Neill: I shall be fairly short because I think your offer kindly to supplement some of your thoughts would be useful and time presses on. It is very interesting, Mr Davis, I think you mentioned it once before, but otherwise what struck me in your submission and the comments from your colleagues was the almost complete lack otherwise of reference to funding. If one takes your proposition, there is a feeling that in England governance is too centralised and it is remote from people, is not perhaps the key test to address not who sits on what boards and whether you have directly elected regional bodies or not but where the money is raised ---

Phil Davis: I think the two go together.

Q390 Bob Neill: --- and the balance between central Government and local governments in terms of who raises the money and what freedom they have once they have got the money to spend it?

Phil Davis: I agree but, fundamentally, of course, in the end if money is to be raised in the region then it needs to be publicly accountable and the best form of accountability and, indeed, decision-making is for a single elected body.

Q391 Bob Neill: Yes, but I do not see your interim solution as adding anything to accountability.

Phil Davis: I think this is the problem, we are not happy with the interim arrangements. We do not think it is a solution, we think it is a money merry-go-round essentially. There have been some incremental improvements about the way the process is run, so there is more consultation, but effectively it is a consultative process in the English regions, it is not a determining process by the region.

Bob Neill: I can see an argument for your point of view for what one might term localism, but I was talking to some friends of mine who live in Essex and their argument is a region called the East of England run from Plender and Orange (?) is as remote from me as a department run from London is.

Alun Michael: You should tell the people in North Wales that!

Q392 Bob Neill: Exactly. How do we address that issue? The North East may be different.

Phil Davis: I have often had that point put to me and our colleague is from the South West so she may have a point on that.

Q393 Bob Neill: Cornwall may have a very different take from Bristol.

Mary Southcott: Exactly, the fact that it is becoming a unitary authority may aid its voice.

Q394 Bob Neill: Exactly. How do we get around that problem?

Mary Southcott: My view is there are diverse arrangements and what we need to see is cultural change. Cultural change in the sense of what we saw in the South West was people not feeling that they belonged to something, coming together, being very parochial at first and then identifying issues which had to have a wider responsibility. When we had the flooding in England it was the regional assemblies that the media turned to, so there has to be some sort of regional leadership which will deal with issues that affect not just one council or another. For the South West, we are different in the fact that we are politically balanced, so it is not one party majority rule over another, there is always a political balance whenever, however it happens. What we saw in the assemblies

was something very good for democracy because a discussion was taking place about what is better for the region rather than what is better for our party or what is better for our council and I think that is really important. In terms of power sharing, that was what was going on, and I do not see that the ministers who have been allocated have any structure to relate to in the region. For instance, I think Ben Bradshaw is a great man and he is our regional minister, but where is he going for advice about what he should be saying to central Government as opposed to when he is talking from central Government down to region.

Q395 Bob Neill: Yes, but you seem to predicate your proposals on the regions as they are. Is that a good way forward?

Mary Southcott: Well the structures are in the regions.

Q396 Bob Neill: Or are they themselves so artificial, as our earlier witnesses have said, that they are never going to get a sense of identity?

Professor Mawson: Can I say, on the RDA boundary issue, I think genuinely there are places where the geography and identity is really clear that people are not particularly happy, you can identify three or four places across the UK where that is the case. From the perspective at the moment we are dealing with territorial public policy management and the issue is where is the money being allocated and is there accountability over the way it is being allocated. Fine, let us change the boundaries. I think it is ridiculous as well about where Essex is, I do not see the problem, we can move that around.

Phil Davis: Can I make a quick response to your point about your constituents or whoever who said how is this any more local. Well the distinction is that if you have got regional ministers making the decisions, as in Wales or Scotland, it may be that they live in your street or they live up the road, that is the point, it is accessibility, is it not? If I was a local authority leader I would rather go and negotiate with somebody in Birmingham for my region than have to find a minister down in London. It is proximity that regionalism would give you in the same sense, I understand, as in Wales or even in Scotland even with big decisions.

Professor Mawson: And the informal networks which we heard about this morning.

Bob Neill: That comes back to the naturalness of the units, does it not?

Q397 Chairman: I think we are going to have to bring this fascinating discussion to a close. There is one issue I am conscious we have not covered very well and I think I might like to invite you, if you want to and it is entirely up to you, to submit anything further to this question, whether it is significant or it does not matter that English regional devolution cannot be a complete answer to the question of Scottish members voting about things in England which they have no responsibility for in Scotland, because there are a number of issues which nobody would suggest should become wholly separately treated in each of the regions of England. You may think that is unimportant or you may think it is important, so perhaps some clarification about that.

Phil Davis: We would really impress everybody if we could resolve the West Lothian question in a few seconds and we are not going to try, you will be relieved to know!

Q398 Chairman: If you have anything further you want to tell us, please do send it to us in writing.

Phil Davis: We would like to be able to respond.

Chairman: We are very grateful to you for your help this morning.