
Our Regions Our Choices

**Debating the future for
the English regions**

Edited by Paul Benneworth and Neil McInroy

Foreword by Deputy Prime Minister, John Prescott

CLES Policy Paper

Supported by Greater Manchester Passenger Transport Authority
and North West TUC

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About CLES

The Centre for Local Economic Strategies (CLES) is an independent think-tank and network of subscribing organisations involved in regeneration activities and local governance. CLES combines policy research and development, an information and briefing service, events and a consultancy arm.

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Foreword

My interest in regional policy goes back over 30 years.

I have always believed that without a strong regional policy and a real distribution of power from the centre, we would not be able to develop the UK economy to its full potential.

I am therefore proud to have been able to take forward the regional agenda in Government. Since 1997, we have worked hard to devolve real power and resources back to the nations and regions of the UK. We have established a Scottish Parliament and Welsh Assembly, and re-introduced city-wide government in London. In the English regions, we set up Regional Development Agencies; the RDAs have been, and continue to be, at the heart of regional economic development.

We are now taking forward our promise to give the English regions the opportunity to establish their own elected Assemblies. We set out our proposals in the White Paper *Your Region, Your Choice* and have recently introduced legislation (the Regional Assemblies (Preparations) Bill) that will pave the way for England's first directly elected Regional Assemblies.

Of course, the English regions are all different and we respect that – which is why we have not adopted a “one-size fits all” approach. Some regions may be content for now with the current approach. That is why we are strengthening existing arrangements – including enhancing the role of Regional Chambers, decentralising more responsibilities to the Government Offices, and giving the regions a greater say in the policy-making process.

However, some regions will want to have an elected Assembly – giving people in the region their own distinct political voice and a real say over decisions that matter to them.

This is all about choice. We have not yet taken any decisions on which region(s) should hold referendums. First, we want to listen to the views of the people in the regions, their local authorities, MPs and MEPs, Regional Chambers and other key stakeholders. And the Bill before Parliament needs to be enacted. But, we would expect that at least one referendum will be held during the lifetime of this Parliament. If there is a “yes” vote, we will bring forward legislation, when Parliamentary time allows, to enable elected Regional Assemblies to be established early in the next Parliament.

In the meantime, as the regional agenda gathers pace, this publication by the Centre for Local Economic Strategies (CLES) offers an opportunity for a range of opinions to be expressed and represents a timely contribution to the debate. I look forward to engaging in further debate on the issues as the Bill goes through its Parliamentary stages.

Deputy Prime Minister
John Prescott

Chapter 1: Introduction: Our Regions, Our Choices

Paul Benneworth, CURDS, Newcastle University and Neil McInroy, CLES

Introduction

The long-awaited White Paper on regional devolution for England, *Your Region, Your Choice*, was launched by the Deputy Prime Minister on 9 May 2002. Speaking at a press conference, John Prescott remarked that the publication of the proposals was “*the conclusion of a political dream I have held for decades. Giving the regions their own democratic voice and the chance to improve their economic performance, delivering jobs, prosperity and better public services*”.¹ This long held ‘political dream’ is shared by many. However, the next stage is for regional players to digest the detail and explore the questions that this White Paper raises. This is a crucial part of the process, because ultimately they are *our regions and our choices*.

This policy report is the outcome of a CLES one-day seminar, *Regions and regeneration: the impact of the Regional White Paper*, held in Nottingham on 11 July 2002, where we began this process of exploration. A number of speakers presented, in some detail, their interpretation of the proposals and this report aims to capture the substance of what was presented on that day. Therefore, in this policy paper, we have assembled a number of writers who offer their own interpretation of the White Paper’s proposals, with the intention of imagining the likely outcomes from the White Paper. The key theme of this report will be to examine the opportunities that devolution offers for the expression of local political cultures and local economies, and what that requires from local partners in shaping the devolution process. Thus, one chapter deals with what can be learned from UK devolution – Scotland. Other chapters in turn deal with what the proposals offer to particular regional stakeholders: regeneration partnerships, RDAs and trade unions. The final chapter offers a more sceptical critique of the necessity for and the practicality of the 2002 devolution proposals.

Each of these thematic chapters assumes a base line of knowledge about the White Paper, its contents and context. Thus, in this introductory chapter, we outline the background to devolution and the proposals offered in *Your Region, Your Choice*, and some of the key issues emerging.

A brief comparative history of English devolution

The rise of interest in devolution can be traced back to the decline of key industrial areas in the 1960s. In Scotland and Wales, deep rooted cultural separatism was galvanised by the downturn in their heavy industry and this was matched by a rise in nationalist parties, leading to the creation of the Scottish and Welsh Development Agencies in 1974 and 1975 respectively (Checkland, 1976; Danson *et al.*, 1992). The October 1974 election marked the electoral high water marks of both nationalist parties in Scotland and Wales; the SNP won 11 seats from 71 with 30% of the vote; Plaid Cymru won 3 seats from 36 on 10% of the vote.

However, there was no similar pressure in the English regions, with the regional Labour movement greatly facilitated by the collapse of traditionally Conservative working-class occupations². In the absence of political pressure for English devolution, proposals emerged in a tortuous fashion. In the early 1970s, regional government proposals were delayed awaiting the Kilbrandon Royal Commission into reform of local authorities, which

1 Cabinet Office Press Release CAB 051/02 9 May 2002, ‘*Your Region, Your Choice — a new era for England*’.

2 In 1964, when Labour won the General Election under Wilson, there was a swing to the Conservatives in Newcastle East leading them to take the seat; conservative-voting shipyard workers were an important element of this swing (Byrne, 2002).

culminated in the 1974 creation of the Metropolitan Borough Councils. When that thorny issue had been resolved, the Redcliffe-Maude Commission made solid if controversial progress, which led to the 1976 Green Paper *Devolution: the English dimension* (OLPC, 1976).

However, that document did not go much further than making the case for English Regional Assemblies rather than an English Parliament, giving comparability with the Scottish and Welsh institutions being mooted at that time. It was the failure of the proposed constitutional balance to satisfy Northern Labour MPs which contributed to the fall of the Callaghan Government in 1979, and the subsequent abandonment of the devolution bills. Indeed, the whole experience of English devolution in the 1970s raised more issues than it answered. From this experience it was evident that any English Assembly would have to be regional, would have to address local government reform, and have a democratic mandate over policy fields similar to those devolved elsewhere.

During opposition, the Labour Party provided a fertile ground for the development of ideas in regional government: the Alternative Regional Strategy (1982) – although it achieved little of substance in an anti-regional age – provided the foundation for a regionalist community (some of whom were involved in the 2002 White Paper). In 1996, proposals for Regional Development and Regional Skills Agencies were published. These proposals led to the regionalisation of some of the power delegated to non-departmental public bodies (Quangos). This represented an administrative precursor to political devolution (Regional Policy Commission, 1996). Although the proposals for English devolution in the 1997 manifesto were less explicit than in 1992, New Labour was elected with a mandate to at least examine and bring forward substantive proposals to devolve power to the English regions.

Prior to 1997, the Conservative Government did little to actively promote regional devolution, but three sets of circumstance laid the foundation for subsequent regionalisation. The first was the creation of the Integrated Regional Offices, which aimed to join up the presence of Whitehall in the regions. The second was the increasing European insistence that the European Structural Funds be accountable to bodies which were regionally responsible. The third was the introduction of regional planning under PPG 12, in which local authorities had to work together to produce integrated regional spatial frameworks to be approved by Whitehall. The net effect of these changes meant that by 1997, there was a constellation of regional governance activities alongside a policy community coming into government with an interest in promoting regional devolution.

The rise of regional governance 1997–2002

Most devolution activity during the 1997 Labour Government can be categorised into two distinct areas: extending devolved administration at a regional level, and a heightened debate about the Regional White Paper.

In the first area, the Labour Government created a significant number of new regional bodies, including the RDAs, Regional Sustainable Development Round Tables, and Regional Planning Bodies (Benneworth *et al.*, 2002). This blossoming of regional activity was accompanied by a fear that these changes were diluting the effectiveness hitherto engendered by the tight control of Government Offices over the regional agenda, leading to the publication of *Reaching Out* (Cabinet Office, 2000). This recommended a greater role for the Government Offices in regional co-ordination as well as delivery of Whitehall policies.

The most significant feature of these administrative changes was that there was a definite and positive expansion of the powers of the regional bodies as they proved their competence. Regional Development Agencies, in 2000, for example, were granted significant increases in their budgets, and by 2002, had been given a single block grant, indicating that Whitehall trusted the RDAs to deliver their performance targets. The voluntary Regional Chambers were granted £15m over three years from 2001 to innovate and develop their scrutiny role, again expressing a vote of Whitehall confidence in these new regional institutions.

In parallel with these administrative changes, there was a heightened debate whose conclusion can be seen in the publication of the 2002 White Paper, *Your Region, Your Choice*. The North East Constitutional Convention undertook a great deal of work setting out the potential roles and responsibilities of an assembly in the region, which provided a solid basis for much of the later work across England (Tomaney, 2000). Labour's Regional Policy Forum was active in deliberating a set of political proposals and negotiating such tensions as the role of proportional representation, the size of the assemblies and the necessary powers (Tomaney, 2002). This research was bolstered by a number of UK-wide research programmes which examined English devolution as part of the broader devolution package (cf. Chen & Wright, 2000; Adams & Robinson, 2002).

At the same time, some interesting thinking was emerging from the Treasury concerning the role of regional inequalities in undermining national productivity. In the Treasury Spending Review Publication *Chapter 3: The Regional Dimension* (2001), the Treasury began to make a case for regional policy-making as a means of addressing regional-specific market failures which national policy was unable to address adequately. As a first step towards this, the Treasury took, for the first time, regional soundings to support its biennial public expenditure exercise, the Comprehensive Spending Review. The White Paper draws on much of this analysis in outlining a rationale for regional government which could not be easily dismissed as an additional layer of bureaucracy.

The culmination of these strands of activity was the publication in 2002 of *Your Region, Your Choice*, which reflected all the various inputs outlined above. The proposed Regional Assemblies have a range of complementary purposes:

- to co-ordinate this new tier of regional governance;
- to overcome regional-specific market failures; and
- to meet the political interests of pro-devolutionists both within and without government.

Devolution for all: implementing *Reaching Out*

There are two elements to the devolution package proposed in *Your Region, Your Choice*. The first section applies to regions with immediate effect, as these proposals are in a White Paper. The majority of these proposals aim to strengthen the coherence of the existing regional activities and strategies, although the clear winners in the White Paper are Government Offices and Regional Chambers. Their respective positions within regional governance are significantly enhanced by what is proposed. The changes apply to all regions, and can be broken down into four areas:-

- Regional Chambers will take on an increased role; scrutinising RDAs, consulting with Government Office directors, and assuming regional planning and strategy co-ordination powers;
- Government Offices will assume powers over crime and drug reduction, community cohesion, public health and culture;
- Some regions will run pilots building stronger linkages between RDAs and small business and training activities;; and
- Whitehall will develop policy using regional ideas and GOs in policy-making, and accepting regional inputs to the expenditure process.

How then to interpret these changes? In essence, they change the balance of power between three organisations, the Chambers, the Government Offices and 'Whitehall'. The Chambers' role is to be extended beyond scrutinising the RDAs, co-ordinating the regional strategies and having formal rights of consultation. Although the Chambers will remain voluntary, they have become features of the landscape of governance, and as was noted at the CLES Seminar in Nottingham, many of those organisations antipathetic to full devolution are satisfied with the Chambers as a means of facilitating stakeholder involvement. The Regional Democracy Fund has generally been satisfactorily administered and the Chambers can be regarded as having passed probation and become established.

The White Paper tidies up many of the loose ends left by *Reaching Out*, strengthening the Government Offices as 'Whitehall enforcers' in the regions. The additional responsibilities given to Government Offices are — with the exception of public health — unremarkable. However, there is an increase of the representation of Whitehall in the regions, with nine departments having some representation in the Offices. As the number of departments increases, so the strategic functions of the Offices become more important, and critically, Whitehall is committed to this strengthening. Under the changes, the English regions will have that necessary precursor of effective devolution, an administrative arrangement resembling in embryonic form the territorial offices for Scotland and Wales.

Most remarkable is the degree to which the White Paper commits the Government to changing its relationship with regional players. In Spending Review 2002, the Treasury took submissions from each of the regions, which was co-ordinated through the Government Offices. However, the White Paper institutionalises this one-off event. Whitehall departments are now committed to consulting with Government Offices in policy development, and the Government Offices to consulting with their Chambers, providing some capacity for detailed regional involvement in policy making. The Treasury has announced it will require its departments to provide regional forecasts of budget impacts and this could result in a transparent system of regional budgeting. Even though substantial, the proposed situation does remain a long way from the formal commitments of Joint Ministerial Committees and the Barnett Formula which Scotland and Wales enjoy.

Your Region, Your Choice: Potential Referenda for Regional Assemblies

The remainder of the White Paper outlines a set of proposals that are contingent on successful regional devolution referenda. This makes for a confusing situation for issues such as voting, timing and legislation, because the referendum and devolution processes each have very different requirements; the referendum will be a simple 'accept/reject' for a set of proposals, whilst any putative Regional Assembly will be bound to the Additional Member electoral system (AMS). Similarly, there are two tranches of legislation, one to enable referenda to be held, and then — triggered by a successful referendum — legislation to determine the powers of the Assembly.

Legislation for the referendum phase was announced in the Queen's Speech, and it is now anticipated that Ministers will have powers to hold referenda in regions where they believe there to be significant public support for devolution. The Ministerial referendum decision would trigger a Local Government Commission boundary review, and referendum would bind that region to those proposals. The referendum would comprise two elements in one question, and a 'yes' vote is both a vote for an Assembly and local government reorganisation around unitary authorities.

A 'no' vote in the referendum will trigger a five-year moratorium on further votes and the discarding of the local government reorganisation plans. A 'yes' vote will initiate a process resulting in the creation of the Assembly. The first step would be legislation before Parliament precisely defining the Assembly. The local government re-organisation would then begin, and a shadow Assembly is likely to be created from the joining organisations (defined within the legislation). The Regional Chamber would have no authority over this shadow body, and would begin winding itself up during this period, in time for the official commencement of the Assembly following direct elections using the AMS. Although the Chamber would have to be dissolved before the Assembly sat, it is likely local authority reorganisation would still be underway at that time. It is believed that the first vote could be held by 2004 and the first Assemblies in place in 2006.

The new Assemblies will assume responsibility for RDAs and planning, alongside a number of other elements of financial responsibility such as regeneration, housing and tourism. Business, community and voluntary representatives hitherto involved in the Chamber will continue to participate through a 'civic forum', whose precise shape remains subject to Government consultation. The Assemblies will mix strategic, executive and influencing powers to achieve their ends: (see table opposite)

The mix of powers for Assemblies

Strategic: drawing up 10 strategies	Executive: i.e. expenditure responsibilities	Influencing: recognised roles in others' decisions
Sustainable development Spatial planning Transport Culture Biodiversity Economic development Skills and employment Waste Housing Health improvement	Responsibility for RDA Financial resources Oversight of regional bodies Obliging partners to deliver the strategy	Scrutinising the role of universities in economic growth Advising the Government on transport Requesting planning call-ins Being consulted by LSCs Appointments to other bodies Co-ordinating regional strategies

A key question is how the Assembly will operate to reinvigorate political life and political structures at a local level where council elections regularly have turn-outs of under one-third of registered voters. This is something on which the White Paper has little to say, and restricts itself to stating that stakeholder groups can be involved in a number of different ways, abiding by the principle that no unelected member is allowed to participate in decision making. The use of the AMS will institutionalise an oppositional form of government: if the European elections are the model for representation, three or four parties will be represented in each Assembly, with no overall majority by a single party. AMS does allow non-party candidates to win in constituency seats, and it is possible that special interest candidates may emerge in these areas.

Administrative simplicity, political uncertainty: a Regional Assembly by 2006?

The final question which the White Paper understandably cannot raise is whether the good intentions set out in *Your Region, Your Choice* will be implemented in practise. In one sense, the publication of *Your Region, Your Choice* deals with these issues; local government reform is an element of the proposals, and that referendum legislation is before Parliament. This seems to suggest that, as the White Paper argues, the first regions could have their Assembly early in the lifetime of the next Parliament.

There are a number of political uncertainties that have to be negotiated successfully before this point can be reached. However, *Your Region, Your Choice* gives the Government considerable leeway over the choice, timings and ultimately the decisions to hold referenda. Firstly, there is an issue relating to the passage of the second stage of legislation; it is fair to assume that a Regional Assemblies (Referendum) Act could be on the statute books by 2003. However, it is much more speculative to assume that the Government will be able to manage a Regional Assemblies Act through both Houses, even subject to a positive referendum decision. If there is any delay to the process, then the legislation might pass through Parliament during an election year. If there are any mishaps or delays (such as resistance from the Lords) then the legislation could fall prey to other more bread-and-butter matters.

Secondly, the Assemblies have to be made to work effectively to insulate them from the longer-term risk of abolition. In the case of Wales, the Institute of Welsh Affairs described the early days of the Assembly as akin to a

Constitutional Convention, taking many of the decisions overlooked in the legislation. There is a need for high-profile political leaders to drive the creation and then lead the establishment of the devolved institutions, as Donald Dewar did in Scotland. The willingness of high profile politicians to return 'home' and provide leadership is an unquantified but hugely important influence on the success of both referenda and Assemblies.

Overview of the remainder of the report

It is clear that there are significant questions which remain unanswered with the publication of *Your Region, Your Choice*, and it is unsurprising that the other contributors to this research paper highlight the threats and opportunities in this situation. From the analysis above, the questions raised within the White Paper can be grouped into three areas:-

- Is economic efficiency sufficient to revitalise democratic debate in the regions, or does more need to be done to properly debate English regional devolution?
- How will devolution affect the successful relationships which already exist within regions? and
- What will be the impact of different governance systems in different regions?

Each of the other contributing authors have their own concerns about devolution, and offer their own insights into the ways in which the Government will have to advance the debate if the proposals in *Your Region, Your Choice* are to result in elected Regional Assemblies. In Chapter 2, Bennett & McAteer address some of these questions with reference to the case of the Scottish Parliament. They note that although the form of devolution granted to the English regions is very different to that in Scotland, there are similar concerns about popular support for devolved institutions. Their research shows that different types of regional partner; local government, business, the voluntary sector and the public can have varying attitudes to devolution, and managing those attitudes is a key element of ensuring successful institutions.

An alternative perspective on this point is provided by Dabinett in Chapter 3, who argues that the proposals are sufficiently ambiguous at this point to lead to either a reshaping of local government or what he calls "a transformation in the public realm of the eight English regions". He argues that achieving the latter will require capturing the public imagination, which the economic-focused arguments fail to do. However, he also notes that the conditions for such a successful regional political mobilisation will vary from region to region. Consequently, it is up to the regional, rather than national, political actors – be they local politicians, business élites or the third sector – to make explicit to their public how the new institutions can deliver the "va va voom" which Bennett & McAteer see as central to their success.

One of the main questions raised by the devolution proposals is their impact on those bodies that have been created in the 1994-2002 administrative devolution process. At the heart of this process are the Regional Development Agencies (RDAs). In Chapter 4, Mike Collier, the Chief Executive of One NorthEast, the RDA for the North East of England, sketches out a roadmap of how further change could unfold in the more immediate future. Chapter 2 of the White Paper deals with the changes that will be applied across all regions, and Collier maps out how he believes this "Chapter 2" agenda will unfold. He regards with some relish the additional strategic challenge that faces the English regions in using their integration to reshape the way the Whitehall machine relates to regional players.

The groups that potentially have the most to lose under the new arrangements are stakeholder groups which have involved themselves voluntarily with the Regional Chambers, and face the prospect of losing their new-found influence and responsibilities. As Bennett and McAteer found in Scotland, different stakeholders can have very different perspectives on the opportunities offered by devolution. The final two chapters set out the attitude of two groups of social partners – trade unions and businesses – to devolution. These two chapters highlight the similarities and differences in attitudes to the new Regional Assemblies.

Alan Manning, in Chapter 5, outlines the position of trade unions towards devolution and devolved Assemblies. The trade unions as a political group lost significant amounts of political power in the 1980s, and the regional institutions offered a chance to regain some influence at the regional level. Although it is unsurprising that they would not relish losing this influence, Manning is clear that the unions have a great deal to offer the next stage of the devolution process. Unions remain by far the most common form of political association in which people are involved, and provide a good mechanism for stimulating a regional passion for the opportunities offered by devolution.

Matthew Knowles, in the final chapter, is far more sanguine about businesses' attitudes to devolution. He stresses that Chambers of Commerce across England have worked extensively with the Regional Chambers, and appreciates that there is value to business in ensuring that the devolution proposals do not unduly hinder business activity and entrepreneurship. He highlights some of the apparent contradictions and fudges in *Your Region, Your Choice*, and argues that if the Government want business to support their proposals they should first offer better proposals.

Chapter 2: Scottish Devolution and Local Political Culture: Expectations and Delivery in the ‘New Politics’

Mike Bennett and Mark McAteer, Scottish Local Authorities Management Centre (SLAMC), University of Strathclyde

Introduction

In seeking to examine the opportunities that devolution opens up for the expression of local ‘political cultures’, the experience of Scotland is relevant to current debates regarding English regionalism. The Scottish experience allows us to identify potential benefits and problems for localities and ‘local cultures’ within a devolved or regional policy.

One striking similarity between the current debate about English regionalism and Scottish devolution is in the public pronouncements of the advocates of reform. Their calls for Scottish devolution and English regionalism are incredibly similar in terms of the rationales that have been deployed and they are both reflective of historical calls within the UK for the development of regional government. For example in the White Paper *Your Region, Your Choice: Revitalising the English Regions* there are numerous references to the benefits that Regional Assemblies will provide within the UK governmental framework. It is claimed that regionalism will enhance democratic control of ‘regional’ public bodies, that it will improve the economic and social well being of regions, while reducing bureaucracy, and that it will result in the better co-ordination of public service delivery.

Above all it is claimed that it will decentralise decision making from Whitehall to the regions and bring government closer to the people. In the introduction to the White Paper the Prime Minister states that regionalism:

“...gives people living in the English regions the chance to have a greater say over the key issues that affect them as well as the power to devise tailored regional solutions to regional problems. And it builds on the success of devolution elsewhere in the UK - offering people more accountable, more streamlined and more joined-up government”.

These perceived benefits and the Prime Minister’s declaration are remarkably similar to statements made prior to devolution in Scotland. In the introduction to the White Paper *Scotland’s Parliament* (Cm 3658) the then Scottish Secretary Donald Dewar wrote:

“The Government’s aim is a fair and just settlement for Scotland within the framework of the United Kingdom - a settlement which will be good both for Scotland and the United Kingdom. The Scottish Parliament will strengthen democratic control and make government more accountable to the people of Scotland.”

Thus the populist idiom being adopted in England with respect to the benefits of Regional Assemblies, that they will provide ‘regional solutions to regional problems’, is reminiscent of that adopted in Scotland prior to devolution by the Scottish Constitutional Convention – ‘Scottish solutions to Scottish problems’.

However the relevance of Scotland to debates on English regionalism rests upon more than the mere similarities of public discourses that favour devolution. Scotland provides a test bed within the UK for devolution’s impact upon localities, ‘local cultures’ and local civic society. However, it must be borne in mind that there are significant differences between the devolved Scottish polity and the current proposal for English regional government. Scotland has been described as a “stateless nation” with a distinct political and social history. It has an array of distinctly Scottish civic and political institutions with a history of administrative decentralisation under the former Scottish Office.

In contrast England has never developed the outward manifestations of such a regional polity nor has it ever historically had a popular political movement seeking political devolution to English 'regions'. Rather England has been regarded as displaying characteristics of 'weak regionalism'. Consequently in seeking to understand the impact that devolution has had upon local political cultures in Scotland the context within which we examine these issues is different to that which may exist under a regional authority in England.

Differing powers, differing opportunities?

Scotland differs in terms of the context within which relations between different institutions and cultures of government occur. Furthermore the powers held by the Scottish Parliament are also much greater than the powers that are to be granted to prospective English Regional Assemblies. The Scottish Parliament holds authority for a large range of policy areas that will not be controlled by English Regional Assemblies. Indeed, the very basis for the allocation of powers is very different, with all responsibilities 'devolved' unless specifically 'reserved' to Westminster by the Scotland Act. Table 1 below details how the Scotland Act splits responsibilities between the Scottish Parliament and Westminster.

Table 1: Scottish Parliament and Westminster Major Policy Areas	
Devolved	Reserved
Health	Constitution of the UK
Education & Training	Fiscal, Economic & Monetary Policy
Local Government	Defence & National Security
Social Work & Housing	Protection of borders
Economic Development	Foreign Policy
Transport	Employment Legislation
Law & Home Affairs	Social Security
Environment	Regulation of Professions
Agriculture	Transport Safety & Regulation
Sports & Arts	Common Markets for UK goods & services

In contrast to the wide range of matters that are devolved to the Scottish Parliament English Regional Assemblies will have a much more limited range of powers. The model currently on offer for English Regional Assemblies appears to be essentially the democratisation of regional economic development and planning.

As a consequence of its greater powers and responsibilities the Scottish Executive (the Scottish government) controls some £18 billion of public expenditure. This will rise to £22 billion within the current expenditure round, (cf. Table 2), whereas the proposed Assemblies for English regions will control far smaller levels of expenditure. The White Paper states that an Assembly in the North East of England would take direct decisions and influence decisions by other public agencies, on £0.9 billion out of a total expenditure in the North East of £7.2 billion, excluding Social Security. In the North West the equivalent figures are £2.1 billion out of £18.6 billion. While these sums are not inconsequential they are still significantly less than the resources controlled by the Scottish Executive and Parliament.

Table 2: Current Scottish Government Expenditure Plans (£bn)

	2002/03	2003/04	2004/05	2005/06
Total	18.2	19.7	20.9	22.3

(Source: Spending Review 2002)

Consequently the capacity of Regional Assemblies to deliver change within their region will be significantly less than the capacity of the Scottish Executive and Parliament. The Scottish Executive and Parliament have more policy freedom to link economic development policies with social policies and to seek a more holistic approach to policy development. The current powers on offer to English Regional Assemblies are more limited thus, limiting their scope to truly generate 'regional solutions to regional problems'. Therefore the first question that we would raise regarding English regionalism is what impact will Regional Assemblies have on the future regional governance of England?

Stabilising local democracy: regional/local relations in Scotland

As stated in the White Paper (Cm 5511) regional government aims to democratise parts of public service delivery and also provide a locus for generating more public involvement in the political process by bringing decision making closer to local communities. Again similar pronouncements were made with regards to Scottish devolution. The phrase that was widely quoted by politicians, the media and academics was that a 'new politics' would be created as a consequence of devolution. This 'new politics' was to be more open and transparent than before, it was to be more participative and inclusive and it was to challenge established interests in policy making in order to build a more radical policy agenda for Scotland. This new political culture was to be the embodiment of an egalitarian Scottish culture and one that differed significantly from the centralised and closed decision making culture of Westminster. As part of this a Consultative Steering Group (CSG 1998) was established which laid down the founding principles that would govern the operations of the Parliament. These principles were:

- the Scottish Parliament should embody and reflect the **sharing of power** between the people of Scotland, the legislators and the Scottish Executive;
- the Scottish Executive should be **accountable** to the Scottish Parliament and the Parliament and the Executive should be accountable to the people of Scotland;
- the Scottish Parliament should be **accessible, open, responsive** and develop procedures which make possible a **participative** approach to the development, consideration and scrutiny of policy and legislation;
- the Scottish Parliament in its operation and its appointments should recognise the need to promote **equal opportunities** for all.

Therefore, the underlying aspiration for devolution was to build a Scottish brand of political democracy that was more inclusive, transparent and accountable. The key question that has to be addressed is to what extent has devolution delivered this to date and what lessons can this teach us with regard to English regionalism? After three years the available evidence suggests that devolution is a complex phenomenon which has delivered mixed results. In a high profile interview with the *Financial Times*, Scotland's First Minister delivered his own assessment of the early years of devolution. Jack McConnell said he had:

"...no doubt that there is a level of disaffection with the Parliament....partly because expectations were too high, partly because of the way in which presentation was skewed to the negative, but partly also because in the executive and the Parliament we took our eye off the ball."

He went on: *"The first couple of years of the Parliament were a disappointment,"* the executive *"didn't concentrate all the time on things which were seen as being critically important, didn't seem to sense the importance of value for money in public expenditure, and so on."* (*Financial Times*, 16/08/02)

However, in our view the First Minister should be a little more circumspect in his judgement as the available evidence suggests a more nuanced and complicated picture. Rather than the Parliament being a disappointment, research evidence suggests that across Scottish society there is a wide range of views on devolution and that different constituencies and interest groups have quite different views. Furthermore, views from these groups – local government, business and the voluntary sector – show that not only are perspectives different across these sectors, but sometimes there are significant sub-sectoral differences as well.

Differing attitudes to the success of devolution

In order to make sense of these differences we shall draw on the accumulating research evidence available in Scotland to compare the views of organised interest groups (such as local government, business etc) with the views of the general public. What we see is that there is no single “local political culture”. Rather that there are a plurality of interest coalitions with different values, expectations, aspirations and cultures all of whom judge devolution and its impact from their different perspectives. So let’s consider some of this evidence in some more detail.

Local government

Recent research by Bennett *et al.* (2002) examined the impact of devolution on local government in Scotland. They demonstrated that different local government policy sectors have developed different perspectives on the impact of devolution. They found that, two years after devolution, local politicians and officials remained very positive in their assessment of devolution’s impact on local government as a whole and upon their own localities.

The research highlighted that devolution had not resulted in any significant removal of power from local government nor had it led to an undermining of the variation that exists across Scotland’s communities. The research pointed to the development of a close working relationship between local and national government where access to national decision-makers was made easier than under pre devolution arrangements. While devolution did not provide a panacea that resolved all problems the broad perception of those who participated in the research was that things had improved for local government and local communities since devolution’s arrival.

Likewise, at the political level of local government the research demonstrated that the majority of Councillors were generally positive about the devolved institutions themselves. They regarded the Scottish Executive as more open and accessible than the Scottish Office was before. On the other hand, a majority of Councillors also thought that in policy terms central and local government did not share the same objectives. Moreover, a large proportion felt that devolution had reduced the importance of local government within the Scottish governance system.

Among Chief Officers there seemed to be a broad consensus that devolution had been generally positive for local government. In particular they stated that the new Parliament and Executive were more accessible than Westminster or Edinburgh had been in the past. However, on other issues views varied considerably according to the service area of the research respondents. In education, a majority of Service Directors thought that devolution had strengthened the local education service. This compared to only 21% of Housing Directors and 8% of respondents within local economic development services. Among Chief Executives only 21% thought that devolution had strengthened local government overall.

The contradictory nature of these findings demonstrate the complexity of the political situation in post devolution Scotland. While there are a variety of possible explanations as to why some groups have prospered and other have not under devolution a key issue arising from this research was that the ‘new politics’ has not yet delivered in its own terms a new and fully inclusive approach to policy making.

The business and social partners

In the Business Community there is also evidence of a wide variety of opinions on devolution. On the one hand, it seems that the Scottish Business Community broadly supports Digby Jones, Director-General of the CBI, when he recently criticised the Scottish Executive for allowing business rates to be set 9 per cent higher than in England. However, evidence from regular MORI polls and others show that businesses do not hold uniform views on the impact of devolution. Perhaps unsurprisingly business views vary according to the market they are involved in. Some welcome the closeness of the Parliament and the strengthening of the 'Scottish Brand', while others questioned the utility of public spending and the additional layer of government that devolution has created.

The same sorts of issues can also be found in the voluntary sector. For example in recent evidence to a parliamentary committee in Edinburgh, the Scottish Council for Voluntary Organisations (SCVO) argued that the Parliament had achieved much over its first three years but that it still had some way to go before fulfilling the founding principles of the CSG.

Public attitudes to devolution

So if these are the views of the organised interest groups what of the Scottish public? A Scottish Social Attitudes Survey has been conducted in both 2000 and 2001 and this allows us to track over time the public's perceptions of devolution.³ The data shows remarkable continuity of views when addressing the generalities of devolution. For example, it shows that in both 2000 and 2001 34-35% of Scottish people thought that creating a Scottish Parliament had improved the way Britain as a whole is governed. It also shows that 52% of people in 2000 and 2001 thought that having a Scottish Parliament would give Scotland a stronger voice in the UK.

In terms of outcomes, however, there is evidence that the public is becoming disillusioned. One of the key popular arguments for devolution was that it would give ordinary people a greater say in how Scotland was governed. However the data shows that the number of Scots who believe this has fallen from 44% in 2000 to 38% in 2001. And while the data showed that the fear of a high taxing Parliament was receding, it also showed a dramatic loss of confidence in Scottish education. The data shows that the percentage of people who think that the Parliament will increase the standard of education fell from 43% in 2000 to 27% in 2001. This is particularly interesting given the optimism displayed by Directors of Education.

However, to help explain these figures it should be noted that there have been a number of serious problems within the management of different parts of the Scottish education system over the last three years. There have been problems with the marking of Secondary school exam scripts, university admissions and one Council overspending on its Education services. Taken together these events have dented popular confidence in the Education services at both local and national levels.

However, the interesting issue is that none of these events in itself could be put down to failure in the Scottish Executive or as a consequence of devolution. They do show however that devolution has raised the public's expectations both in terms of the quality of public services they receive and in terms of what politicians can deliver to them. This has meant that there has been an increasing overlap between the central and local levels of government with Scottish Executive Ministers seemingly unable to resist the urge to micro-manage local services personally when difficulties have emerged.

In the instance where the Scottish Borders Council overspent on its Education budget local people turned very quickly to the Parliament for support against the council's actions to balance the budget. This resulted in a highly

3 We are grateful to Catherine Bromley of the National Centre for Social Research for providing us with the unpublished data for the 2001 Scottish Social Attitudes survey.

critical report by the Education and Lifelong Learning Committee of the council despite an earlier report by Audit Scotland⁴, which had largely pointed towards management rather than political failures within the service. Thus, we can say that in general devolution has not resulted in the demise of 'old' centralist cultures of ministerial control and central intervention in local politics. Rather we have seen an increase in national scrutiny of the activities of local politics that raises questions about which area of government is ultimately responsible for major public services?

Expectation and delivery in the English regions

So what are the lessons for English regionalism from the Scottish experience? The first relates to the new politics thesis inherent in the regionalism White Paper. The evidence from Scotland is that old politics are alive and well, and that the creation of the Parliament has not liberated the true, collaborative and consensual Scottish politics of Kailyard myth. In our view, the idea that a single political culture exists or can be created by new political institutions is misplaced. While there may well be a causal relationship between the institutions and culture in politics, it is not a simple, straightforward one. In this sense claims as to the power of regionalism must be treated with caution.

The second lesson is that size may matter. In Scotland, where the Executive and Parliament have control of more significant financial, policy and legislative resources, at times devolution has been unable to live up to the expectations for change that both created devolution and have been fuelled by it. While expectations of English regionalism may be different to those of Scottish devolution there is a potential danger. That is the creation of English Regional Assemblies, which are essentially democratised planning bodies, will generate expectations among the public that the Assemblies may find difficult to satisfy. In other words, they may have some va va, but no voom. If the Scottish experience is anything to go by it is difficult to fulfil public expectations. The possibility in England is that the limited proposals for regionalism may mean that this gap between expectations and reality is even greater. If regionalism fails to deliver then it may mean people begin to ask whether they have got 'regional solutions to regional problems', or just another set of problems?

4 Audit Scotland carries out work on behalf of the Accounts Commission, which is the Scottish equivalent of the Audit Commission in England.

Chapter 3: Regions Do Matter – Reshaping or Transforming Local and Regional Governance in England?

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Introduction

In May 1996 the Rt. Hon. Bruce Millan, writing as Chair of the Regional Policy Commission, stated *“It is clear that there is now a widely held view in England that government needs to be reformed to allow more decisions to be taken in the regions in a democratically accountable way and to address the needs of the regions more effectively”*. This chapter assesses the potential for the devolution proposals in *Your Region, Your Choice* to achieve this reform, by either simply reshaping local and regional governance in England or by bringing about a transformation in the public realm of the eight English regions outside London. It addresses the crucial question of the extent to which devolution should genuinely hand national powers down to regional authorities. It also asks whether regional devolution would support the improvement of local government and local political cultures.

In May 2002, when the Government published its first policy paper on English devolution since 1976, Tony Blair claimed that it signalled a new era for the English regions. For all regions a package was proposed that included greater institutional and financial freedoms, but most significantly it offered elected Regional Assemblies in those regions where people wished to have them. The White Paper was seen as putting regions firmly at the heart of policies to build a modern and prosperous society, and claimed that the decentralisation of power and more joined-up accountable government would allow all people to have an opportunity to take control of their own destiny and to achieve their full potential. These goals clearly offer opportunities to achieve new forms of regional and local governance. They also encapsulate the Campaign for English Region's desire for *“the establishment of forms of regional governance that are democratic, accountable, transparent, inclusive, participatory, effective, efficient, rational and agreed by a broad based consensus within each region”*. But what are the conditions and requirements necessary for these goals to be achieved?

This chapter examines whether the introduction of Regional Assemblies would help to revitalise local political debate and activities, and support the development of civil society in the English regions. The context to this debate is provided by a perceived need to ‘fix’ the current arrangements for local and regional governance which are widely seen to have become characterised by quangos, confused and complex administrative and funding arrangements, and democratically unaccountable decision making. But the proposals in the White Paper are also strong on aspirations, and can be seen as one point in a longer process of re-adjustment by communities, cities and regions to changes in spatial governance, social and economic behaviour, and territorial identities. In this chapter I address the question:-

Does the White Paper offer opportunities to :-

- bring about a radical programme of decentralisation?
- increase interdependency or control in regional governance? and
- renew the local civic realm?

A Radical Programme of Decentralisation ?

Central government and a nation state are familiar and well used constructs in any analysis and discourse about governance, and until recently have probably been taken for granted as a basis for political authority. In the last two decades, as the nation-state has experienced a 'hollowing out'; central government has supposedly been transformed and is in the process of losing its former ability to manage spatial change and development. Its power and authority has been eroded from above by globalisation and international structures such as the EU, from below by the assertion of a new 'localism' and pressure group lobbying; and laterally by the advance of the market.

These have challenged its capacities in economic management, in social solidarity, in culture and identity formation. However, as Keating (1998) asserts, it would be a mistake to exaggerate the decline of the nation-state in Europe, since "it retains a formidable arsenal of powers and resources". Indeed, it is widely acknowledged that British government currently remains one of the most centralised in Western Europe. Many commentators and stakeholders in regional development advocate the need for power to be devolved from UK government, not only to enhance the effectiveness of regional and local governance, but also to increase the legitimacy of central government and the nation state. However, the principles and measures that should form the basis of this devolution are more contested. In light of this, to what extent does *Your Region, Your Choice* offer a radical programme of decentralisation?

The proposals to enhance regional agencies and establish elected Assemblies do offer opportunities to transform regional life and are an important contribution to a process of change and the dialogue necessary to achieve that change. However, a more critical viewpoint might argue that the ambition offered by the White Paper may remain unfilled since the current proposals do not go far enough, being strong on institutions and structures but weaker with respect to powers and functions. The overwhelming argument presented in *Your Region, Your Choice* supporting the range of functions to be given to Assemblies is one of improving decision-making.

Improvement will be achieved through a more coherent or 'joined up' approach at a strategic spatial level, and a better fit between decisions and the 'circumstances' of an individual region. It is emphasised that the proposed package of Assembly functions "*reflects the way in which these functions are currently organised*" (p34). Furthermore their powers and functions "*will largely be drawn from central government bodies such as Government Offices and a number of other public bodies which are already operating in the regions*" (p34). There is an acknowledgement that the Government is keen to support further decentralisation, but only where this can demonstrably improve regional outcomes. This is an important debate that must be taken up by all concerned with regional development, but one which is likely to be heavily weighted in the favour of Whitehall in current circumstances.

Although responsibilities for the environment, public health and emergency planning are put forward, the principle functions proposed in the White Paper reflect current central government priorities for regeneration and enhancing economic competitiveness. The main responsibilities – unsurprisingly – relate to strategic work involved in spatial planning, transport, and economic development. More interestingly is the recognition that certain aspects of service provision in areas of public health and social housing would also be well served by regional structures.

However, it is self evident that there is little if any devolution of responsibilities from Whitehall. For example, in the case of the Regional Development Agencies (RDAs), central government intends to retain powers to ensure national priorities are addressed and to require changes in strategies if there are inconsistent with national policies or have 'detrimental' effects on areas outside the region. Furthermore, as Chapter 4 of the White Paper indicates, the Assemblies' powers are largely ones of influence involving consultation, monitoring and scrutiny and making appointments, thereby lacking any substantial or extensive fiscal, regulatory or executive responsibilities.

This could mean that the ability of Assemblies to affect change could be limited by the resources available to investigate and monitor services and the activities of other agencies, to undertake research of regional needs and to develop new or alternative policies. Rather than an exercise in devolution, the main proposals in the White

Paper attempt to redefine relationships within the complex web of institutions charged with regional governance at present, but not to transform the balance of power. The regions become the essential link between top-down and bottom-up policies and projects. Crucial to the debate about this link is the roles expected of the Government Offices in the Regions (GORs) and local government.

Interdependency or Control in Regional Governance?

A major driving factor in the reforms proposed by the White Paper is the substantial tier of regional decision-making and spending which already exists but is not properly accountable. It is currently controlled by an extensive and fragmented range of bodies that includes regional offices of national quangos, other appointed agencies and the Government Offices in the Regions (GORs). At present there are no proposals to remove or replace any of these agencies. The interdependence of tiers of government and the limitations on the powers of regions mean that relations with other levels of government are crucial. Especially important is the balance between the centre's capacity to control and the regions' ability to exercise influence through intergovernmental networks.

At the heart of existing regional structures and institutions are GORs. The future of the GORs is one of the most problematic areas within *Your Region, Your Choice*. They currently exist to manage programmes on behalf of their parent departments in Whitehall, to support and facilitate linkages between partners and programmes, and to inform the development of departments policies from a regional perspective. But as Mawson argues, the GORs are failing to meet even their currently limited declared objectives. He claims that too many lines of accountability and funding makes it difficult to co-ordinate activity effectively.

But there is also intransigence in Whitehall departments that fear a loss of power, shown in the turf wars over the creation of RDAs and proposals in the White Papers itself. The perspective from within the English regions is that there is a clear need to develop a more explicit territorial perspective in the work of all relevant Whitehall departments, executive agencies and quangos. Mawson (1999) also draws attention to a long running debate by suggesting the need to develop a far greater capacity to analyse the distribution of public expenditure between and within regions. The consideration of a 'regional perspective' within the recent CSR was a significant step in this sense. Mawson also claims that there is a danger that the GOR officials could end up exercising far too much power and influence in the new structures if regional stakeholders and local authorities do not rise to the challenge and opportunities offered by the new frameworks.

Indeed, Dungey (1997) of the LGIU claims that *"proposals which devolve very little of the powers currently with central government would be likely to operate in a centralising way, taking powers from local government"*. From this perspective there is a question to be asked of the White Paper about its clarity in determining appropriate tasks for local government and what can best be determined at a regional level. *Your Region, Your Choice* claims that the Assemblies will not duplicate functions carried out elsewhere, and that *"functions are generally not being taken from local government, which will continue to focus on local service delivery and community leadership"* (p34). However, Dungey also argues that such tasks should be allocated on the principle of subsidiarity.

Application of this principle would see many of the powers currently exercised without accountability at a regional and sub-regional level being given to local government. From this perspective, only the roles that cannot be taken on locally should be given to regional government. However, the detailed application of this broad principle is far from simple. The previous experience of the local government review has shown the difficulty of deciding the appropriate weighting to be given to issues of community identity, public opinion, service management and integration, cost, scale, and simplicity of structure in allocating functions to different levels of government. These are complex issues which the White Paper largely side-steps, but they are highly likely to underpin debates and arguments concerning the proposal to establish unitary local government structures in those areas choosing to have elected Regional Assemblies.

The view put forward above is that the proposals in the White Paper *'Your Choice, Your Regions'* are a set of reforms necessary to improve regional governance in England, rather than a radical programme of devolution. Consequently, the potential success of the new Assemblies will depend more on their ability to speak for regions, to act as a legitimate counter-balance in local/central relations, and to provide an alternative political force to central government and Whitehall departments. This clearly requires a transfer of power as discussed above. At the same time the 'regional voice' needs to be able to reflect diversity and distinctiveness within regions, and this may demand new forms of political accountability and renewed local political activities, debate and participation.

Renewal of the Local Civic Realm ?

The relative weakness of local political activity that exists at present is in part the result of the undermining of local government over the last ten to fifteen years. Centralisation, the erosion of democratic accountability and the lack of political debate all need to be challenged at a local as well as a regional level. The erosion of local democracy under the Thatcher and Major governments is well-documented. Although some would claim there have been some positive steps since 1997, others would argue that the Blair government has maintained an extensive and bureaucratic regime of centralised performance monitoring, regulation and inspection of local and community governance. Appointed partnership boards, action zones and task forces have often been the preferred delivery vehicles.

For the Assemblies to avoid being flawed and unpopular they must act as a catalyst to a new and closer relationship between government and the citizen and contribute to the broader revitalisation of democracy. The proposals in the White Paper place the responsibility for these choices very much within the regions themselves, hence *'Your Region, Your Choice'*. This approach fits into the broader communitarian and New Labour logic, whereby all areas of the UK and all people are seen as being given the opportunity to take control of their own destiny to achieve their full potential. However, any successful democratic renewal is likely to require the Assemblies to extend democratic participation in the political system and to establish themselves as a legitimate voice for the region.

Experience in the regions and ideas within the White Paper illustrate that new forms of representation and participation are being explored such as civic forums, regional support networks in the voluntary and community sectors, and the use of internet-based technologies. Similarly the ability to create a voice for the regions in the corridors of power in London, Brussels and beyond has been illustrated by recent efforts to seek representation on issues such as rail and airport investment and the future of the EU Structural Funds. But the present political legitimacy and empowerment within these arrangements are severely limited by the requirement to be accountable to central government.

Instead the proposed Assemblies should be given a remit to be more radical so that they may establish and experiment with new forms of social contracts, broader associations with trade union, voluntary and disadvantaged groups etc. Regions may wish to explore different forms of public-private partnerships, fiscal measures, local regulation of utility and public service provision etc. Currently the White Paper offers opportunities rather than clear proposals for broadening and deepening the political capacity of regions. This is something that might be seen as precondition for democratic renewal in local and regional governance.

Political capacity refers to an ability of regions to mobilise support for their policy initiatives, and to take decisions on policies and priorities. Proponents of the 'new regionalism' such as Keating argue that this capacity is to a large degree a function of the construction of the region, its sense of identity, and territorial and social coherence. In this argument the nature of devolution cannot be separated from the nature of politics in the individual regions and the alternative regional development goals linked to these. For example regional development could be based on:

- Technocratic goals formulated by elite business interests in co-operation with regional agencies, which place emphasis on economic competitiveness, productivity, technology and value added, rather than employment.

The policy is likely to be legitimated by reference to market values. Contested development issues are filtered out of day-to-day politics with key decisions taken by special agencies or public-private partnerships insulated from social pressures;

- Social democratic values, where policy is still driven by competitive development, but social considerations play a larger role, as do organised labour and social movements. Decisions will often be made within pluralist structures encouraging collaboration between regional stakeholders to secure conditions of growth. Employment generation is a prime objective of policy and distributional issues are regarded as first-order politics;
- Nation building goals, where there is an aspiration to autonomy or even independence. Political activity seeks a broad base of support and covers a wide range of policy areas, and matters of culture and language play a central role as basis for collective action and regional interest.

Instead the White Paper is narrow in scope, perhaps following the claims made by the Treasury that regional devolution should be seen as an opportunity to achieve full employment and to increase productivity in every region. Certainly the proposals do not offer an explicit set of policies to address some of the inherent barriers to balanced and sustainable regional development.

Conclusion

Regions do matter. The nation state is here to stay, but new systems are emerging slowly as territorial politics restructure. The debates surrounding *Your Region, Your Choice* highlight claims that:

- Regions matter because they have become a key level in the way the functions in a region are undertaken. Hierarchical systems of territorial government, with a rigid demarcation of competencies have given way to complex systems of interdependence and intergovernmental policy-making;
- Regions matter because they provide a framework for political mobilisation. They constitute a meeting place and an arena for negotiation of functional and territorial systems of action, in economics, society and politics, and are emerging as a system of government;
- Thinking about the future of local and regional governance must continue to be more speculative and experimental, and the White Paper provides an opportunity to take part in a critical debate about the nature of accountability in a modern democracy, the spatial pattern of public expenditure and the purpose of regional policy.

Chapter 4: Regional Devolution: A Regional Development Agency Perspective

Mike Collier, Chief Executive, One NorthEast

Introduction

The publication in May of the Government's White Paper: *Your Region, Your Choice: Revitalising the English Regions* (the White Paper) represented the first Government statement on elected regional government in England in over 25 years.⁵ However, this should not overshadow the relatively recent development of a range of structures, which devolve power and resources to the regions. Regional Development Agencies (RDAs) have been, and continue to be, at the heart of these devolutionary changes.

This paper begins by offering an RDA perspective on the steps that have already been taken towards regional determination and implementation of economic policy, and the accrued benefits. It then considers the economic case for building on this success by further strengthening the English regions as outlined in Chapter Two of the White Paper. It examines potential opportunities that the "Chapter Two Agenda" offers for the economic and social development of the English regions, and England as a nation. Finally, the paper suggests some preconditions for success that RDAs believe need to be met if the proposals for Elected Regional Assemblies (ERAs) are to further help the regions meet their economic ambitions, as well as outlining some of the potential obstacles to be overcome.

Devolution to Date

Role of RDAs

Following John Prescott's announcement of the new programme for the regions in December 1997, RDAs were established under the Regional Development Agencies Act 1998.⁶ They were launched in eight English regions on 1 April 1999, with the London Development Agency (LDA), established in July 2000, following the establishment of the Greater London Authority (GLA).

The role of RDAs – as enshrined in the Act – is to:

- Promote economic development and regionally balanced growth;
- Promote social cohesion and sustainable development through integrated local regeneration programmes;
- Help those without a job find work by promoting employment and enhancing the development of relevant skills; and
- Promote enterprise, innovation, increased productivity and competitiveness.

5 Devolution: The English Dimension, Green Paper (1976).

6 Building Partnerships for Prosperity, White Paper (1997); Regional Development Agencies Act (1998).

Beyond these functional aims, RDAs have performed the wider role of strategically co-ordinating the implementation of economic development and regeneration policies at the regional level. The production of Regional Economic Strategies (RESs) ensures that these policies are taken forward in ways most sympathetic to and compatible with the demands, needs and circumstances of individual regions. Finally, recent changes have ensured that the scrutiny and monitoring arrangements provided by the regional Chambers and Government Offices provide a greater degree of democratic accountability within regions, and allow the expression and realisation of specific regional needs.

Further Decentralisation

The process of the decentralisation of economic development policy implementation has not been static over the past three years. Since their inception, RDAs have successfully lobbied central Government on the need for a single unified funding stream covering all RDA activities. As a result, from April 2002 a new funding regime was introduced replacing the various funding strands for individual programmes with a 'Single Programme'. In return, RDAs now have in place a set of national, regional and sub-regional targets to ensure that regional and national aims and objectives are achieved.

The Single Programme has greatly enhanced RDAs' financial freedom in determining how resources are deployed. This has, in turn, enabled the further devolution of spending power to those best placed to assess local solutions to local problems. For example, One NorthEast has devolved up to 75% of its headroom allocations to its four sub-regional partners, enabling cash to be better targeted at local projects and communities. Similarly, other RDAs have taken other approaches, more suited to the needs and capacities within their own regions.

RDAs as Regional Catalysts

Enhanced spending flexibility has increased RDAs' capacity to fulfil their roles as regional catalysts and regional providers of strategic leadership – central to their work in delivering Corporate Plans and RES objectives. Since their inception, RDAs have made considerable progress in implementing structures to facilitate much stronger regional and sub-regional working with a wide variety of partners. This has been achieved through, for example, the development of partnership arrangements and sub-regional action plans.

The RES reviews have also proved important in this respect. RDAs have been able to draw on their experiences in compiling their own strategies in contributing to the review of those of other regional bodies. Of particular note is the way RDAs have been able to contribute to the reviews of Regional Planning Guidance and the drafting of the regional Frameworks for Employment and Skills Action (FRESAs)). RDAs' work has also facilitated the merging of economic and social agendas where appropriate.

Much of RDAs' budgets continue to be spent on inherited programmes, although the amount is steadily tailing off. However, because Government has made available additional funding without RDAs being required having to fund statutory services, RDA money offers a perhaps unparalleled amount of leverage over the work of key regional partners. Indeed, it is already clear that RDAs and other regional bodies are playing an increasingly important role in terms of the co-ordinated and strategic prioritisation and implementation of regional social and economic policies.

In addition, there is an increasing trend among RDAs towards 'customised' regional innovation – as demonstrated, for example, through One North East's Strategy for Success. ONE were able to take for themselves the decision to initiate a major programme to build a knowledge economy for the region through exploiting the Region's research base to generate innovation, competitiveness and growth.

The Chapter Two Agenda

As a statement of Government policy, parts of the White Paper which do not require further legislation, will immediately be implemented. *Your Region, Your Choice* sets out changes which apply to all regions in Chapter 2, and for this region, a phrase increasingly heard in the regional partners is the idea of the 'Chapter 2 Agenda'. As major players in the regional institutional arrangements, RDAs have much to offer in delivering this, the Chapter 2 agenda.

Economic Benefits of Strengthened Regions

Chapter Two of the White Paper recognised the potential to build on this co-ordination, strategic prioritisation and implementation role in outlining the means by which regional structures might be further strengthened. RDAs' focus on the Chapter Two proposals is the role that strengthened regions would play in promoting sustainable economic development, improving regional economies, and achieving greater efficiency in delivering regions that are more competitive. RDAs' enthusiasm for the proposals for strengthened regions, therefore, correlates directly with the extent that any such measures are likely to improve the competitiveness and economic performance of regions. Strengthened regions and increased institutional capacity could potentially offer a number of benefits in this respect:

- Strengthened regional bodies, including but not confined to RDAs, should allow the enhanced expression of distinct regional identities and needs, as well as increasing local accountability;
- They would enable the enhanced development of economic strategies and the local co-ordination and tailored development of policies to address the specific needs and circumstances of individual regions;
- In addition, local bodies would be better placed to co-ordinate and streamline the cross-cutting approach needed in relation to economic development, as well as other policy areas such as sustainable development. This would offer the advantage of joining up the strategic direction of regions and strengthen partnership working towards a shared vision and set of common goals;
- Given the willingness of the European Union to progressively engage with 'regions', strengthened regions could also offer the advantage of lending the opportunity to build on such regional co-operation, strengthening our regional voice and improving access to European funding and policy development.

Inter-Regional Competition?

The underlying aim of strengthened regions would have to be to continue to improve regional competitiveness and reduce the productivity gap and wider socio-economic imbalance that exists within and between regions. However, it is important that this is not understood as a zero-sum game. The aim here is to fulfil the Government's objective of 'widening the winners' circle', boosting the productivity and economic competitiveness of the nation as a whole through the more efficient functioning of all of our regions, particularly those that are currently under performing.

Commentators have suggested that further devolution would lead to an increase in competition between regions at the expense of the less prosperous areas. However, while a degree of inter-regional competition is inevitable, it is important to consider the potential contribution that strengthened regions could make towards increasing inter-regional collaboration and performance in key areas, as is illustrated through the variety of collaborative work that RDAs are already undertaking. Indeed, it could be argued that one of the inevitable legacies of England's centralised system of government is the neglect of the development, implementation and delivery of cross-regional policies to address inter-regional strategic issues.

From Regional Delivery to Regional Policy

Any arrangements for strengthened regions should reflect the vital role that RDAs could play in co-ordinating and leading the variety of strategies and initiatives contributing to regional economic development. However, in order for regional governance to be truly successful in delivering sustainable economic growth, it is vital that the arrangements do not merely constitute a more efficient means of delivering central Government programmes. This can only be achieved through allowing the flexibility to develop and deliver policies best suited to the circumstances of individual regions.

The RES Review process currently being taken forward has begun a process of partnership based regional policy making led by the RDAs. Building on this, RDAs (as well as other regional bodies) need to be given the support, capacity and freedom to develop local micro-economic and social policies to address local needs. Naturally, locally developed policies and strategies will need to be taken forward within the wider framework of macro economic and social policy goals. The challenge will therefore be to find a way to achieve effective vertical integration between the two.

A Further Step: Elected Regional Assemblies

Elected Regional Assemblies, with powers encompassing economic, infrastructure, social, cultural and environmental issues, could potentially allow further flexibility to create regional policy, and deliver more efficient and better-targeted regional development resources in the national interest. However, if elected Assemblies are to help the regions meet their economic ambitions, regional governance must:

- Have widespread support and legitimacy;
- Enhance and streamline decision-making on economic issues;
- Strengthen regional co-operation;
- Attract the highest quality people;
- Provide significant, flexible devolved economic and strategic power (over budgets, planning, skills, transport, housing etc);
- Reduce bureaucracy and provide efficiency savings;
- Benefit the regions' businesses and enhance business growth (including EU and International trade); and
- Provide greater access to learning and economic opportunity.

In order to convince all sectors, particularly the Business Community, of the case for regional governance, the Government would need to demonstrate the economic arguments in each of the above respects. In addition, a number of potential obstacles need to be addressed in order for the debate to move forward. While the removal of a tier of local government is essential in order to meet concerns over increasing bureaucracy, it should be noted that the alignment of regional devolution with the proposed restructuring of local government, has led to some opposition to regional devolution by default (even in areas with strong unitary authority representation).

Moreover, it is important that any move towards regional governance should build on established constructive relationships between RDAs, existing Regional Assemblies and other stakeholders- the model of regional government reflected in the White Paper does not necessarily support established and successful working relationships that RDAs and regional stakeholders have worked hard to establish with regional partners.

Finally, Government and local partners will need to work together to support, encourage and engender local leadership cultures (embracing the public, private and voluntary sectors), which inspire trust, create an inclusive vision for the regions, and embrace partnership working. Strong, inspiring and inclusive leadership within the regions is necessary, both to carry the regional governance debate forward, and to make a success of regional government.

Conclusion

This paper has outlined RDAs' enthusiasm for the proposals for strengthened regions, and the extent that such devolution is already beginning to prove itself through the work of RDAs and other regional bodies. It began by examining steps that have already been taken towards devolving more power to the regions through the establishment and evolution of the RDAs. It has also suggested that RDAs, as well as other regional partners, have already begun to demonstrate how regionally delivered economic policy can effectively address regional challenges. The Government's recent moves towards greater economic devolution for the English regions, as reflected in the White Paper and in the recent Spending Review announcements, are to be applauded.

In particular, the Chapter Two Agenda and the possible devolution of further powers, resources and autonomy could enable RDAs and other regional partners and stakeholders build on regional successes to date in co-ordinating, prioritising and delivering policies to realise regional economic and social potential with the optimal outcome for the country as a whole.

While elected Regional Assemblies could offer the potential for achieving greater economic efficiency in delivering regions that are more competitive, there are a number of preconditions for success that need to be met. Moreover, one size does not fit all in this debate. Given geographical variations in local identity, the extent of support for regional devolution, and the differing political structures of the regions, it is important that individual areas are allowed the flexibility to develop models specific and relevant to their regional environment.

Perhaps the most important point to underline here, though, is that if we are to meet our collective goals of creating sustainable, successful regions, which meet their full economic, cultural and social potential, we need to bring about a revolutionary shift from regional delivery to regional policy. Regional bodies need to be freely empowered and enabled to evolve from local delivery agents of central government policy, to agents with the responsibility and resources to develop and determine their own regionally sensitive policy agendas within the wider framework of macro economic and social policy goals.

Chapter 5: Unions and Devolution

Alan Manning, North West TUC

Introduction

The White Paper, *Your Region, Your Choice*, argues that Regional Government will deliver greater effectiveness through increased accountability and elected Regional Assemblies (ERAs) will promote greater policy integration and coherence through the authority derived from a democratic mandate. A resolution carried at last year's TUC Congress supported the principle of elected Regional Assemblies, emphasising their role in encouraging better democratic representation for social partners. The resolution argued that *"all regions require an autonomous democratic voice in line with those in most other European countries ... Regional Assemblies would provide a means to determine regional priorities for action and implementation taking into account the needs of the region concerned"*⁷.

From a trades union perspective, ERAs offer the potential to address regional concerns surrounding employment, public services, manufacturing, skills training, regional planning, transport and infrastructure. The trade union movement have a positive role to play in advancing public debate around regional devolution, not least in making the case to their members of the direct benefits which ERAs can bring to their lives. The TUC has likewise responded to a call in the White Paper for comments on stakeholder representation. Drawing on experiences from Scotland, Wales and the English Chambers, this response offers government a coherent mechanism to ensure fair representation of social partners in the new arrangements.

The TUC welcomes the fact that devolution will improve conditions in all regions, by:

- improving the co-ordination of Government policy in the regions;
- giving more responsibilities to the Regional Chambers and to regional Government Offices;
- improving arrangements for regional planning; and
- providing greater freedom and flexibility to RDAs.

The TUC has long been pressing the Government to strengthen the role of RDAs in regional economic policy, and to exploit opportunities for a new manufacturing policy, concerns which have already been part addressed, but which could benefit from the improvements proposed in *Your Region, Your Choice*. The February White Paper *Opportunities for All* set out a number of common priorities for RDAs. These covered promoting manufacturing excellence; building regional capacity for innovation and R&D; setting out a strategy for skills and employment and responding to major restructuring and redundancy.

From April 2002, the RDAs have been given more direct control over activities outside the remit of central government programmes. The TUC successfully argued that there was a need for a further increase as part of the 2002 Spending Review. However, their budgets remain small as a proportion of regional GDP, and the TUC believes that much remains to be done (TUC, 2002). RDAs still need to develop a social partnership approach representing third sector as well as business interests if they are to meet both employment and community needs.

Beyond these general changes in all the regions, the TUC welcomes the proposals for some regions to have elected Regional Assemblies, and the TUC sees three overriding arguments which make the idea of Assemblies attractive to the trade union movement. These three arguments are they will make policy delivery more

⁷ Composite 17 Regional government in England: <http://www.tuc.org.uk/congress/tuc-3780-f0.cfm>

accountable, allow a more sensitive regional economic policy, and broaden participation in governance, bringing it close to local communities. In this chapter, I deal with each of these issues in turn, and examine what trade unions can bring to the next stage of the devolution debate.

More democratic and effective policy delivery

Elected regional government offers the chance to co-ordinate and deliver more effective public policy at the regional level. Studies undertaken by the Performance and Innovation Unit (PIU) and the Better Regulation Taskforce have identified that duplication, fragmentation and confusion all prevent 'joined-up policy' at the local and regional levels (Better Regulation Taskforce, 2000; PIU 2000). Both studies argue there is a need for greater 'local ownership' in order to deliver more effective public policy. Although the current Task Force approach to specific economic crises has been successful, it is very intensive on the time and attention of ministers, and only a limited number of such crises can be addressed nationally. Allowing ERAs to develop their own approaches to economic restructuring would allow local partners to be more flexible and responsive to dealing with economic problems.

The big problem with improving policy delivery of itself is that it does not necessarily increase the level of local control over those policies. Studies have revealed that a tier of regional government already exists in the English regions (Tomaney, 2000), but that most agencies and bodies have limited accountability to the regions in which they are delivering or facilitating the delivery of policy. One of the driving forces behind the campaign for political devolution in Wales was growing unease at the fact that many strategies and decisions were beyond the direct scrutiny of people of Wales.

The National Assembly for Wales and the Scottish Parliament both provided the operation for locally elected politicians to exert control over what had hitherto been nationally appointed bodies. While the anticipated 'bonfire of Quangos' has not taken place, democratic renewal has been a driver of recent regional policy-making and governance. Bodies such as the Welsh Development Agency and Scottish Enterprise are now answerable directly to elected representatives in Cardiff and Edinburgh, and there is a demonstrable difference in the way they behave. Both agencies now have to justify the decisions they make to the National Assembly and Scottish Parliament. A strong argument for regional government is that elected Assemblies offer similar opportunities to close the democratic deficit in the governance of regional development in England.

Elected regional government should also provide a 'strong voice' for the English regions, especially when it comes to evolving relationships between the regions and Central Government and the European Union. What an elected Assembly could do is provide a single point of contact within a region, under the umbrella of pulling together all the various partners and strands within the region. This will provide opportunities for regional stakeholders, such as unions, to strengthen their own work with European networks, raising the capacity of the social partners in England to support policy development in their own regions.

It is clear that from a trade union perspective, ERAs will only be a success if they continue broader social partner engagement in regional governance. Elected regional government should herald a 'new dawn' for ensuring greater inclusivity in tackling the perennial problem of regional inequality in the UK. Critical for unions and their members will be the extent to which greater devolution does in fact help meet the twin objectives of closing the economic and democratic deficits which English regions currently face today.

The Economic Deficit: Productivity Challenge as a key test

Increasing productivity is central to raising living standards in the English regions and achieving full employment in every region. One of the key elements of this challenge is the great regional variation in productivity, which undermines the performance of the UK as a whole. If ERAs can help to close these productivity gaps and raise

living standards in the poorer regions, this is a very strong case on which to make the argument for these Assemblies. Therefore, discussion of regional government and the productivity challenge is a very useful way of testing the practical benefits that we anticipate from devolution, and may also suggest directions for developing the debate.

The evidence from the TUC/CBI Productivity work suggests that closing the productivity gap with both our competitors and between the regions of the UK requires improvements to be made in:-

- Effective Investment;
- Skills;
- HR Performance.

How will regional government affect these three key components of productivity? It is to this question I now turn.

On investment, there is some evidence particularly from Germany that devolved government can have an impact in increasing access to capital through rationalised banking and finance houses and also the possibility of issuing regional development bonds. Initiatives such as the Merseyside Special Investment Fund provide examples of public private partnerships that provide a vehicle for mobilising some geographically focused pension funds to invest in those sub regions. Regional government can help to promote investment in facilities to promote innovation: the Adlershof Science and Technology Park in Berlin greatly benefits from the backing of a powerful and autonomous *Land* government committed to success.

Infrastructure (including transport and broadband) is also essential to effective investment, although sensible planning requires that decisions take into account national and inter-regional priorities. However, successful national planning means that strong regional institutions are essential to be able to campaign for and influence bodies such as the SRA to ensure that regional priorities are properly articulated and acted upon. There are also some examples of RDAs being able to address market failure in the provision of broadband – regional government could harness the public and private sectors in a more effective partnership to deliver on broad band infrastructure.

The final element that is necessary for effective investment is a strong science and knowledge base. RDAs have done much work in trying to use the science base as a means of improving regional competitiveness, and focusing scientific activity on areas of regional strength. In the North West, there is the example of the North West Science Council supported by the RDA, Regional Chamber, the Universities Association and significant private sector participation: this offers a model for all regions. However, the work of a science council would greatly be assisted by strong ERAs adding their weight to such approaches. Indeed, Assemblies could provide the focus for drawing all science and technology assets in their region together, in particular harnessing the considerable but largely untapped R&D assets of the NHS.

The second area where improvement is needed to raise productivity is in improving the regional skills bases. The priority given to skills by government is demonstrated by the introduction of the Frameworks for Regional Employment and Skills Action (FRESAs) and the establishment of the Sector Skills Councils. Elected Regional Assemblies could provide a very useful way of ensuring all the bodies concerned with skill development in a region reflect genuine regional priorities. Elected Assemblies will have the clout to persuade the LSC, Job Centre Plus and other nationally-accountable bodies to fall into the regional line. This is a very practical example of better regional cohesion that we would hope the establishment of an ERA would coordinate.

What is interesting with FRESAs is they offer an insight into the constitutional implications of devolution for economic policy, and the need for central government to be more open to co-ordination of regional policies. For FRESAs to address the regional skills gap in a meaningful way, they need to combine into a single national skills strategy which government can endorse. If the FRESAs can be integrated, then it suggests that other areas of national economic policy may also be able to adopt this approach, particularly planning and regional development. This clarifies the role of the centre, in managing and sustaining the networks necessary to hold different regional strategies together in concert with elected Regional Assemblies.

The third of the key areas where productivity gains can be made, human resource performance, has been very difficult to advance under the current arrangements. Although there is some central funding to promote partnership working in this area, regional partnerships to improve HR performance remain underdeveloped. In particular, little progress has been made in developing regional approaches to industrial relations.

At regional level there are examples of RDAs sponsoring Partnership conferences, helping to promote regional HR Fora and in some regions directly funding capacity building amongst the social partners. But as yet there is still a feeling amongst the wider business support community that Industrial Relations are things that consenting adults do in private and there are only limited roles for Business Links, RDAs and others in offering advice.

Devolved institutions provide an opportunity to challenge these orthodoxies and to think of new ways to address the problems comprising the productivity gap, particularly in the field of HR. Because of the way ERAs involve social partners, they may have the opportunity to send very clear messages about the value and indeed the necessity of partnership. The role of an ERA would be to contribute to creating the climate where this type of partnership, this industrial relationship, is valued and recognised as a major contributor to productivity and competitiveness.

An excellent example is the North East Maritime Group (chaired by the GMB Union) who have established common terms and conditions agreements in leading businesses in the region. This has permitted much greater flexibility of employment between yards, and given the workforce much greater stability and security of income, even if it is not necessarily with the same employer. In addition the main sector businesses have been working very hard to establish common health and safety management systems across the board, from simple things like colour coding, to accident reporting, recording and investigation systems. This facilitates workers transferring between yards and helps employers to reduce their costs, by reducing workplace accidents and minimising the number of safety induction courses required.

The Democratic Deficit: promoting stakeholder engagement

The other, and potentially more compelling, rationale for ERAs is in broadening participation in the political process, and bringing political institutions closer to their voters. One of the main lessons we take from the experience of economic and social partner engagement in the UK's devolved administrations has been the importance of a statutory right to engagement. The Government of Wales Act 1998 placed a legal obligation on the National Assembly to engage with unions, employers' organisations, community groups and the voluntary sector. The National Assembly has established 'Partnership Agreements' with stakeholders in Wales, and this could well offer a model for involving the social partners in the English regions.

The social partners, unions included, bring two distinct elements to broadening participation. Firstly, stakeholder groups can promote debate and dialogue amongst their members, and help to inform the regional democratic process. Unions are involved in a number of the Assembly campaigns and regional constitutional conventions underway in England. The build-up to referendum will give social partners the opportunity to lead regional debate. In Scotland and Wales, unions were pivotal in campaigning for a "yes" vote in the referendums which established the devolved elected administrations. Unions will work together with political parties, local authorities and voluntary/community groups supporting elected Assemblies in referendum campaigns for the Assemblies.

The second impact the unions can have is in working with other regional bodies in the shaping and delivery of regional policies. Since 1997, the Government's approach to regional policy has stressed the importance of involving regional stakeholders in regional partnerships, and the trade unions have been widely involved. While the TUC strongly supports the principle of elected regional government, it believes the Government's proposals should not diminish the current influence and engagement of regional stakeholders, and should consolidate the considerable capacity for action which has been created to date. Indeed, there are sound arguments for stakeholders to be afforded an enhanced role in the new regional structures, potentially even – as in the case of Wales – enshrined in statute.

Of course, what precisely is meant by engagement can vary hugely in the context of regional governance, from informal consultation through to formal co-option. The TUC believes that regional stakeholders should enjoy a role that goes beyond simple information and consultation. If genuine social partnership is to underpin stakeholder engagement in the new regional institutions, then stakeholders must have a 'policy-design' role. This could take the form of co-option onto Regional Assemblies, in a similar vein as current arrangements with the voluntary Regional Chambers.

One proposals which emerged in research commissioned by the North East Assembly recommended the creation of policy councils (Shaw *et al.*, 2002). The study suggested that such bodies would develop the evidence base for policy-making in an Assembly. The councils would comprise elected members, economic and social partners (some as chairs) and, where appropriate, co-opted members from other organisations in the region. They would adopt a 'think-tank' approach, for example holding seminars and discussion groups, commissioning research and holding inquiries in order to develop policy for the Assembly.

Whatever proposals the Government eventually adopts for stakeholder involvement, the TUC believes improvements should be made immediately to the current process of stakeholder engagement and communication with voluntary Regional Chambers and other regional institutions. The £15m Democracy and Scrutiny fund could be re-oriented towards developing initiatives aimed at strengthening the capacity of the social partners to engage as broadly as possible with current and future regional institutions. Indeed, we believe the future success of devolution is dependent on the stakeholder capacity which is built now. Moreover, this stakeholder engagement needs to be properly funded and resourced, and we would urge the Government to clarify how precisely they intend to fund adequate, representative and effective involvement of the social partners.

Concluding Remarks

The TUC regards the rationale for elected regional government as being twofold, centring on tackling both the economic and democratic deficits in regional development and governance. Arguments in support of elected regional government have stressed the importance of making regional policy-making more accountable and more transparent. The TUC regards democratic renewal and civic engagement as important ingredients in the new regional agenda. Although the TUC expects its members to benefit from devolution, it is keen that the regional institutions benefit as broadly as possible from the competencies, legitimacy and knowledge they can bring to regional governance.

If elected regional government is to deliver a 'new politics' then it must enthuse the general public, and bring hitherto excluded individuals and groups into the political process. Indeed, many of the powers which will be devolved to ERAs are those with which trade unions are directly concerned, such as environmental and employment protection, and to which they can bring their individual enthusiasm (O'Brien, 2001). Civic engagement could be pursued through a civic forum supported by an elected Assembly. In addition, Assembly members should have a duty to develop innovative and effective means of communication with electorates. The new structures should not replicate existing failures in the British political system, but rather develop new ideas and embrace best practice from the UK's devolved territories.

Chapter 6: The Business Community

Matthew Knowles, Policy Adviser, British Chambers of Commerce (BCC)

Introduction

Business desperately needs good, cost-effective, responsive government. Firms in general are not particularly concerned with where they are governed from, or who does the governing. Employers want a light touch in regulation terms and as low a tax burden as possible. They want a direct input into Government to tell it how to achieve this and otherwise to be left alone. The recent White Paper on Regional Governance for England does not change this view but it perhaps permits us to look at Government from a different angle.

The British Chambers of Commerce, a network of 61 accredited Chambers representing 135,000 businesses across all sectors and all areas of the UK have recognised, and even welcomed, the move towards carrying out more tasks of Government at a regional level. Chambers work closely with the Regional Development Agencies (RDAs) and their scrutinising Chambers (sometimes misleadingly called Regional Assemblies). Chamber of Commerce members and officials sit on the Boards and panels of the RDAs and work within them to promote economic growth in the regions.

Furthermore, the Chamber network is also organising on a regional scale, through projects such as the West Midlands Confederation of Chambers of Commerce, to co-ordinate the regional work of Chambers with that of the Government's regions. This is in no way an endorsement of the areas covered, or necessarily backing for the mechanisms in place or planned for future regional government, but the Chambers of Commerce live in the real world and can see that the regionalisation of Government is here to stay and have therefore resolved to work with it. However, the Chamber movement is very uneasy about the most recent development in the regionalisation of UK politics; namely the White Paper, *Your Region, Your Choice*, that the Government published in May 2002.

The benefits to business of devolution

The BCC can appreciate the perceived benefits of devolution. Business understands that regional decision making, if it is to be increased, will have to be legitimised by the election of directly accountable representatives to take those decisions. The prospect of bringing decisions closer to the people is not something that any reasonable person could oppose on its own. But we believe that the manner in which the Government is proposing to achieve it would cost jobs by strangling business with red tape and extra taxation, without the benefits of increased productivity, economic activity and skills that a genuinely powerful Regional Assembly would be able to bring to a region.

Business is not against regional government; it is against the system of regional government that is proposed in the current White Paper. In mid-2002, the BCC surveyed its member Chambers to shape its response to *Your Region, Your Choice*. Convincingly, this survey found that not one Chamber was in favour of the proposals for English Regional Government as set out in the White Paper. There was an approximately 50/50 split between those Chambers undecided/seeking further information, and those against the proposals. Consequently, in its current form, the BCC will recommend the rejection of regional government for England.

The old Department for Transport, Local Government and the Regions (DTLR), before its re-organisation, expressed the view that it would be useful to know what obstacles stood in the way of business support for Regional Assemblies for England. It is worth reproducing part of this response, as it succinctly sets out the BCC attitude to what is currently being proposed:

“Business could accept Regional Assemblies (RAs) if:

- *A referendum were first offered to all of England as to whether the people would prefer an elected Regional Assembly option or a set-up whereby English MPs met at Westminster on designated days to discuss purely English issues. An English Parliament would cost no more money and would provide parity with the rest of the UK without affecting the excellent work done on the whole by the Regional Development Agencies (RDAs) and regional scrutinising chambers⁸. It would be less expensive and more representative as there would be no confusion as to accountability;*
- *The Government Offices (GOs) in the regions are drastically reduced in size and scope;*
- *There was a reduction in public sector employees, therefore reducing the burden on taxpayers and business;*
- *The Regional Assemblies (RAs) being introduced would be cost neutral on both business and the citizen;*
- *Power, not influence, would be devolved to the regions, creating autonomous bodies and not an extra tier of politicians;*
- *The electorate were fully aware of the consequences of their vote after a fully informative Government education campaign;*
- *The creation of unitary local government is not taken as an opportunity to alter boundaries to the benefit of one particular interest group or another but is used to create a transparent, streamlined system of sub-national government across England;*
- *The vote were preceded by a great deal more information so that an informed discussion can take place. This is not possible at the moment;*
- *The project can meet the five tests set by Yorkshire Forward; 1) that it will help business, 2) that it will give regions real power, 3) that it will help the region's people obtain jobs, 4) that it will improve decision-making and 5) that it will reduce bureaucracy. **At present this White Paper fails on all five counts;***
- *The Government can alter the business view that RDAs are better for business than RAs ever will be;*
- *A provision in the referendum legislation permits a new referendum to abolish an RA if 5% of the regions population sign a petition to call such a referendum;*
- *The Business Community is given membership of the Assembly or specific statutory consultation rights at the very least.*

The BCC is also concerned as to the cost implications for these new Assemblies and that most areas of decision making are being drawn up from local to regional level, rather than drawn down from national to regional level. There is little in this White Paper to convince us of the necessity of the proposals contained in it, as the Assemblies do not seem to have been given anything worthwhile to do, and there is even less detail about how much they will cost. We are not against these Assemblies for the sake of it. Certain regions of the UK are failed by the current centralised system and would possibly benefit from devolution. However, we are currently strongly opposed to RAs because they do not represent real devolution, it is a flawed project throughout and promises to be very costly. The BCC therefore advises the Government to improve or abandon this project before it wastes a great deal of money on a system of government that few people want and even less people need”.

⁸ We make the distinction between Chambers – the Regional Chambers scrutinising the RDAs and Chambers of Commerce.

The case against the White Paper

It is fair to say that most of these concerns have not been addressed or answered and, whilst this situation persists, business support for the proposals will not be forthcoming. As business is the engine of regional as well as national economic growth it is a mistake not to ensure that employers are in favour of such a vital proposal before any further progress is attempted. It is a concern that up to the point of writing the Government has rubbished the well-founded objections of organisations that are sceptical of their plans.

The BCC is amongst the number of groups who have studied the White Paper with an open mind and judged the proposals on their merits. We are disappointed with what is contained in the White Paper. However, if a more suitable proposal were to be made in future by the Government we may be able to support Regional Assemblies. We make the simple suggestion to the Government that, if it wishes to have widespread support for its proposals, then it should produce proposals that are worth supporting.

The BCC is further concerned by how the use of referendums will be governed. At present the Secretary of State will decide when a regional referendum will be called. Furthermore, there is little evidence so far of an honest campaign being run before the vote. The new Assemblies for England are being 'spun' as similar to the Scottish Parliament or the system of regional autonomy in Spain. This is nothing short of dishonest and sets a worrying precedent for campaigning if a vote is called. The BCC has asked the Government to clarify its position during a referendum campaign. Other organisations have also used this argument for justifying their support and such organisations sometimes depend on EU funding, which at least raises the question as to how impartial they are on this issue.

The White Paper proposes nothing like the systems present in Scotland or Spain, which are backed up by entirely different legal or constitutional settlements. If it were to do so then we would be less sceptical about the White Paper. People who are enthusiastic about having regional government – the North East is always used as the example – should not be offered a vote in which the Government has proposed a powerless and bureaucratic system to them but has sold it as a 'Geordie' version of Catalunya. As a Yorkshireman, I can recognise the desire for a greater control of regional affairs but, having read the White Paper, I know that what is being proposed is not what the people are being told is on offer.

The Government should also include in the legislation a fixed budget for the first five years of the life of a Regional Assembly to which the body is obliged to adhere. This will inform every council tax payer in the area how much he or she will be required to pay for the foreseeable future and will at least give each voter an idea of the implications of their vote. The situation that arose in London cannot be repeated across England. Initially, the Government estimated the GLA would have a zero cost; this was subsequently replaced by an estimate of 3p per week on the average council tax bill at the time of the referendum and finally became a 50p per week increase in 2002.

Business also wishes to have adequate direct representation on the Regional Assemblies. Without voting representation on the new RAs, business believes that its voice will go unheard. The success of the Regional Assemblies will depend on their engagement with business, the wealth-creators in the regions. Currently business is involved in the regional institutions and they work well together. Economic development has benefited from this relationship. In future business interests will be ignored, as has already been the case in London, to the detriment of the entire region. Since the creation of the GLA, London has seen its regional annual GDP growth rate fall from 4.0% in 2000 to 1.9% in 2002 (*Regeneration & Renewal* 31 May 2002 p10). It is business that creates wealth and jobs and this vital role should be recognised in the regional political process.

The BCC sees the proposals in the White Paper as a backwards step for regional economic development unless our proposal of 25% of the Regional Assemblies' members being from community groups (with half or 12.5% of the total coming from business). Non-elected RA members cannot act to force through a policy, given that they are in a minority. However, given the proportional system proposed for the Assemblies they will be a vital partner to the political groupings if they wish to implement policies that are not supported by other political parties on

the Assembly. This will ensure that controversial proposals are only approved if they are good for the local economy.

The initial considered opinion of the Business Community to the proposals for regional government for England was to reject them out of hand. However, since the proposals were published (and despite strong misgivings) business has recognised that, providing they are formally involved in the process, a strong, powerful Regional Assembly could boost regional economic competitiveness. They would need to alter their ways of working depending on to where current policy responsibilities were transferred. However, a grave concern for business is the situation of a firm that operates in an area that has a Regional Assembly and an area that has not, given that the Government will allow this situation to arise under its current proposals. This would be a logistical nightmare for a smaller business. The Government should address this point before it goes any further with this project.

It is also causing concerns in certain areas of the country, where the people disagree with the regional boundaries. Given the arbitrary and random nature of these boundaries it is hard not to feel some sympathy with this sentiment. The North East and Yorkshire regions have a historical identity behind them but the other regions do not. The White Paper strikes the Business Community as a desperate attempt to create such an identity elsewhere for reasons that the Government is reluctant to explain. This lack of identification is made worse when the regions are so large in some cases as to invite ridicule. Is someone in Devon really better off being ruled from Bristol or from London? It is hard to see a difference between either situation aside from the credibility for government that London has that Bristol does not.

The example of London's regional government, however, is one that highlights another gap in the Government's thinking. Spanish devolution is a success because its regions have ultimate control over certain policy areas. London is a failure because it does not. Therefore, for example in transport, we have levels of government at each other's throats over PPP for the Tube or congestion charging. Policy conflict and drift is the result, leading to poor services, extra costs and disengagement from the political system. This system of failure is now proposed for further English regulations. It is not an exciting project, especially with very little in the way of proposals for slimming down other levels of government as Regional Assemblies are introduced.

Business would suggest the above changes to the current plans so that they could support Regional Assemblies. However, for these Assemblies to also support business they would have to:

- Include business on their decision-making bodies;
- Develop a light touch in regulatory matters;
- Ensure a genuine balance between environmental and economic concerns on planning policy which local government has generally failed to do;
- Do very little, but do it very well. This will ensure that costs are kept down and that the policies that they implement will benefit the economic growth of their region.

Business will have to explain to electors that they disagree with the current proposals on Regional Government. The people must be in no doubt before a referendum that voting for an Assembly in one region might lead to a 'flight' of businesses from those regions to an area where there is no Assembly. This is brought about by another flaw in the White Paper. Certain regions of England will vote before others and some will vote no or not at all. If an Assembly does prove to be an obstacle to competitive business, as we believe that it will, then a firm would only be sensible to re-locate in an area where there was no such block on its growth. Voting 'yes' in such a case would be a vote for higher taxes, regulation and unemployment.

Conclusion

To conclude, Regional Assemblies in England will not be a success unless the concerns of business are addressed and taken into account. At the very least business must have a statutory right to be consulted in its own right,

although the BCC proposes direct business representation on the Regional Assemblies to ensure the economic well-being of the regions is not put at risk by proposals that have not had their economic impact considered.

If regulation and costs are the only things that Regional Assemblies are to bring to the regions, as is the case in the current White Paper, then the Assemblies will damage regional competitiveness. It is for this reason that business will campaign against them unless the Government radically alters its plans.

The White Paper offers *"Your Region, Your Choice"*. However, we believe that regions are being offered the choice to either do devolution badly or not to do it at all. The BCC believes that the Government can do better than this and further believes that it should do better than this. If it does so then business will support Regional Assemblies and, more importantly, Regional Assemblies will then also support business.

Concluding comments

Paul Benneworth, CURDS, Newcastle University and Neil McInroy, CLES

Our Regions, Our Choices has begun the process of digesting and exploring what the Regional White Paper means for local partners, and the possible effects on local political cultures and local economies. In hearing from various voices within this agenda, a number of key issues/questions have been raised.

■ **Will the differing take up of regional devolution and a divergence in regional policy prove to be problematic?**

As indicated, it is seen that individual areas have the flexibility to develop in different ways. In this, it may be that the roll-out of directly elected Assemblies is likely to be episodic. Whilst this largely appears to be non-problematic, it is evident, as in any major constitutional re-configuration, that there is the potential for some severe strains, as regards England having two or more central/regional relationships in operation.

Furthermore, it is likely that regional policy will diverge to create a situation in which cross regional organisations such as businesses or unions will have differing policies to absorb, thus, making the situation more complex and potentially more time consuming and resource intensive.

■ **Can the agencies and people in the regions deliver and create effective regional policy?**

In much of regional politics to date there is a strong focus on delivering national policy in the regions. For regional devolution to work, it is evident that there needs to be a fairly substantial change in approach and culture, whereby effective regional government, will require the *creation* and delivery of regional policy. Whilst, there is enthusiasm for this change in emphasis, regional institutions and individuals within the regions are as yet relatively untested in setting and creating policy.

■ **Are we expecting too much from the Regional White Paper?**

The Regional White Paper, as initially outlined in chapter 1 is the crystallisation of a process that has involved a number of false dawns. As a result the Regional White Paper is surrounded by much hope and flourishing optimism. Clearly, evidence from the existing parts of the devolved UK, would suggest that the extent to which devolution and new structures can reinvigorate latent local political cultures is limited. In short, there is no guarantee that regional devolution will create a new political class or a new way of doing politics in the regions. In addition, regional devolution has brought about high expectations of change, as regards the local economy and public services, which may not in actuality be achieved. Therefore it is important that the gaps between expectations and reality are managed, and that the possibility of what regional devolution can do is tempered with reality and pragmatic optimism.

These and a whole range of other questions and issues will no doubt be debated and explored centrally, locally and in our regions in the coming months. The flexibility within the White Paper means that our choices are likely to be of significant import. This policy paper, *Our Regions, Our Choices* will contribute to the process, and we look forward to an increase in the range of opinions and further debate of the issues in the coming months.

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