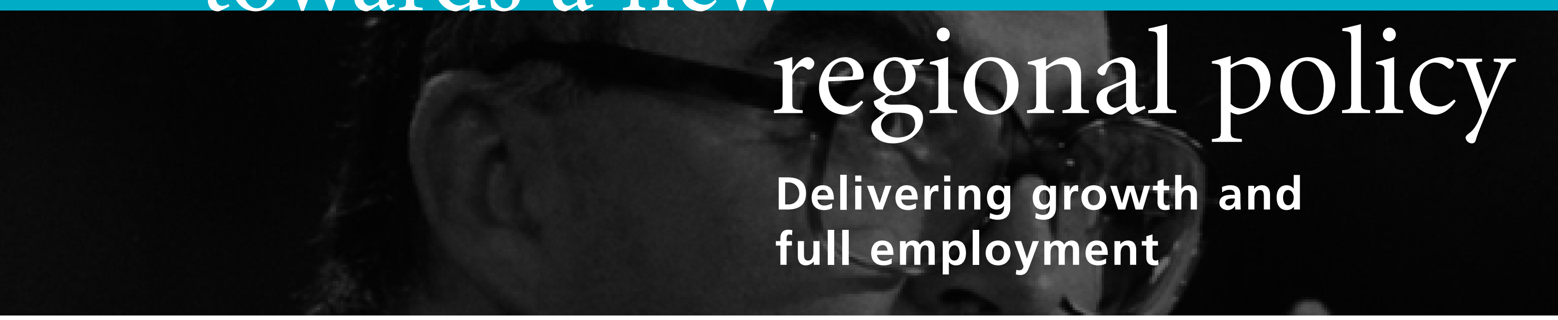
towards a new regional policy



Delivering growth and full employment

Edited by Ed Balls and John Healey MP

The Smith Institute

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INTRODUCTION

Rt. Hon. Richard Caborn MP
Minister for Trade, DTI

We are at a historical turning point in the economic development of the United Kingdom. Decades of boom and bust have been replaced by economic stability, with unemployment and inflation at their lowest levels since the 1970s.

For the first time in a generation we have within our grasp the opportunity to establish lasting economic success. However, that long-term prosperity must be shared by the many not the few.

The challenge we face as a government is to ensure that success filters into all areas and all regions of the country. Uneven growth and persistent disparities between and within regions not only represents a huge waste of economic and human potential, but has disturbing social costs – poverty, crime, poor education, ill health and social exclusion.

Past policies have failed to resolve the underlying regional disparities and the least successful regions have failed to capitalise on their own strengths. The centralised planning approach ended up stifling growth in successful regions and the laissez-faire indifference of the Tory governments made regional problems worse through neglect. In the modern economy we need a radically new approach to regional policy, which must be at the heart of Labour's drive for social justice and sustainable growth.

The challenges facing inner cities, our rural communities and areas of industrial decline are shared between regions and not exclusively within one or a number of regions. There is no single solution which can be applied across all regions.

Attacking the underlying causes of under-performance and deprivation requires both a commitment to the long-term and an integrated policy approach which combines social and economic regeneration with action on health, education, crime, housing and transport.

History has also taught us that prescriptive, top-down strategies, with Whitehall ‘picking winners’, does little to combat regional imbalances. What we need therefore are policies which empower communities so they can determine their own future.

Within regions we have to adopt an approach that addresses the differences which exist, with resources targeted both at areas of need and opportunity. It is also essential, especially in terms of levering in private capital, that policies and programmes have sufficient critical mass and are on a big enough scale to make a difference.

A new regional policy which offers flexibility and local ownership, and which actively promotes partnership working and ‘joined-up’ policies, must be a priority for Labour. But to succeed it demands a culture change, with the regions looking more to what they can achieve for themselves rather than a dependence on the largesse of central government.

In the global economy we can not compete effectively as a nation if we have a tail of under performing regions. We need all our regions firing on all cylinders. A radical regional policy must not only tackle the historic regional disparities but also respond to the challenges of the modern knowledge economy.

In the new economy, regional success will come through responding to competition, boosting enterprise and entrepreneurship, strengthening and harnessing the skills of local people, and getting the public and private sectors to work together. We need to build the national framework for this to happen.

We have made enormous progress over the last three years: we have introduced tax incentives for investment, strengthened competition, boosted science funding, and established effective national support for training and small business. But making the most of this is up to people in the regions – led by the nine new Regional Development Agencies (RDAs) in England and their equivalents in Scotland, Wales and Northern Ireland.

The regional partners – business, unions, academia, the voluntary sector and local authorities, have encouraged us to strengthen RDAs. And we have responded. The recent package announced in the Spending Review is a positive commitment to the regional agenda. In addition, we are giving the RDAs much greater flexibility to shift resources to local priorities.

Government departments are also changing the way in which they consider the needs of our regions. In the past most policies did not take account of regional differences. That is now fundamentally changing. The DTI, for example, is now looking at the regional dimension to its policies on issues like innovation, science, trade, industrial sectors, small firms, electronic commerce and venture capital. All of them have a regional element we need to address.

The Government must build on the work of the RDAs and continue to regionalise national policy-making to address regional weaknesses. It must do so out of a sense of social justice but also because our future economic success as a country depends on all parts and all people of the United Kingdom achieving their full potential.

The regional agenda is one which is crucial to our future well-being. Our regions were at the heart of our first industrial revolution – they now need to be at the forefront of our new economy

BRITAIN'S NEW REGIONAL POLICY: SUSTAINABLE GROWTH AND FULL EMPLOYMENT FOR BRITAIN'S REGIONS[1]

Ed Balls
Chief Economic Adviser to the Treasury

Creating full employment and opportunity for all has been the Labour party's historic mission since its creation. People often think that the new Labour government's first economic decision was to make the Bank of England operationally independent. In fact, Gordon Brown's first public act at the Treasury, in May 1997, was to restore to the central goal of economic policy the 1944 white paper goals of high and stable levels of growth and employment.

This commitment to full employment for Britain demands new policies for growth and employment but also a new regional policy. Because greater prosperity and rising employment does not automatically mean a fairer sharing of prosperity – across regions, cities or neighbourhoods.

Unemployment and child poverty have fallen in every British region since 1997. But unemployment remains higher today in those British regions outside southern and eastern England – in the regions that were hit so hard by the deep manufacturing recession of 1980-81 and then the boom and recession of the late 1980s and early 1990s. Today 6 of the 8 English regions still have incomes per head below the European average.

Is this regional inequality inevitable? Sometimes it seems that there is an assumption in Britain – among commentators, economists and policymakers – that because for much of the twentieth-century, the cities north of London have fallen behind the South-East and Europe, that this must therefore continue.

1 This is a revised version of a speech given at the second annual "Core Cities" conference in Sheffield on 15 September 2000.

This pamphlet is based on the strongly held conviction that the opposite is true: there is nothing inevitable about regional inequalities – in incomes, employment or opportunity.

Britain does have the opportunity to achieve balanced growth, rising prosperity but also the opportunity to deliver higher growth and full employment not just in one region but in every region and city of our country. Indeed, those regions and cities which led Britain in the nineteenth century can lead again in the twenty-first century.

To achieve this requires a new approach to regional policy – an approach where central government backs regional and local enterprise and initiative by exploiting the indigenous strengths in each region and city. But the new regional policy must be bottom-up not top-down, with national government enabling powerful regional and local initiatives to work by providing the necessary flexibility. And it will require further steps to deliver greater accountability and scrutiny – both regionally and locally.

Prospects for balanced growth

"Britain's regional economic map is becoming structurally unbalanced – a process which further reinforces the longstanding GDP disparities of what is popularily termed the 'north-south divide'". [2]

Fair enough as a description of recent past decades in which regional convergence of incomes has been painfully slow and interrupted by two deep and long recessions in which regional divides were widened. But as a forecast for the future, this pessimism is no longer justified.

2 "Rebalancing the Economic Geography of Britain" - Core Cities Background Paper. The Core Cities Group represent England's seven major cities outside London - Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle and Sheffield.

Certainly, many regions have weaknesses which must be tackled – in educational standards, business start-up and survival rates, use of information technology in small companies, levels of research and innovation. And the policy challenges facing Britain's cities face are particularly daunting. Many of our cities have been coping over the past two decades with difficult adjustments – changes in employment patterns, population decline, vacant brown field sites and contaminated land, ageing infrastructure, poor public services, and pockets of multiple deprivation which will take a long time to solve. But there are also good reasons to believe that – for the first time for decades – we have the prospect of more balanced growth and full employment across Britain's regions. We can create and share prosperity better, and so make our national economy stronger.

But there are also good reasons for this optimism:

• the prospect of sustained economic stability which will benefit every region;

• new opportunities for investment as a result of global and technological change;

• and the new regional policy that this government is pursuing.

New Stability

Long-term stability is the pre-condition for our goal of high and balanced growth and for achieving full employment in Britain. Since Labour came to power the new government has put in place a new economic policy framework – independence of the Bank of England and tough fiscal rules – based on credible institutions, clear objectives to promote stability and growth, and maximum openness and transparency.

Some argue that the forward-looking approach that the MPC has taken over the past three years has exacerbated regional economic imbalances – that when there is spare capacity outside the South-East we would do better by ignoring the inflation target or that when things get difficult we can try to run policy both to deliver low inflation and to cap the exchange rate in the short-term.

We have tried that approach before and it was the manufacturing industry, the long-term unemployed and the regions of Britain that paid the price. Remember the recessions of 1980 and 1990. The deep recession of the early 1980s caused permanent damage to UK manufacturing. Then came the boom of the late 1980s when growth in one part of the country was allowed to run out of control as regional skills shortages and housing market pressures fuelled inflationary pressures, destabilising the prospects for stability and steady growth across the economy. Both times it was regions and cities outside the South-East which bore the heaviest burden.

Of course, the strength of sterling as a result of the weak Euro has caused difficulties. But we have not and must not return to the old short-termist ways of the past. And by steering a course of stability – the MPC's forward-looking approach, backed by a big fiscal tightening – Britain has not only avoided the recession that many predicted but exceeded our own forecasts for economic growth, with employment up one million since 1997. Interest rates peaked in 1998 at a little over 7 per cent, in marked contrast to the 15 per cent peak a decade ago. Long term unemployment is now at its lowest since the 1970s. And – most importantly – we have employment rising in every region of the country – up 5.5% in Yorkshire and Humber, 4.1% in the North-West and 4.1% in the South-West.

Unemployment is still too high and with many pockets of much higher unemployment within our cities. But the fact that unemployment has fallen fastest and vacancies have risen fastest in those regions that were hardest hit in the 1980s (and we now have record levels of vacancies across the country in every region) tells us that full employment – a goal that not long ago we thought was beyond our grasp – can be achieved again in every British region.

New Opportunities

The second reason for optimism is that the new challenges of the global economy and the information revolution mean that companies are increasingly mobile as they search for the new technologies and skills they need.

Cities and regions prosper for the same reasons as the economy as a whole – if they are open to trade and new ideas, encourage entrepreneurs and new investment, if they have high levels of skills and good infrastructure. But that success can breed success as companies cluster together to integrate their operations, exploit economies of scale or draw on a pool of specialised labour. These forces for concentration help explain why Sheffield became the centre of steelmaking or textiles became centred in Manchester. They also help explain why London and the South-East have benefited over the past two decades from the expansion of national and international trade in financial services, media and publishing.

But there are also factors which mitigate against concentration – rising land rents, the costs of scale and congestion – which are making London a more expensive place for companies to locate and people to live. And, as communications technology increases mobility and the speed of integration, there are strong attractions to locate in cities and regions outside the South-East – growing financial centres in core cities, new investments in airports and our transport infrastructure, world-class universities and a thriving regional media.

Take foreign direct investment. The UK attracts more foreign direct investment than any other developed country in the world, apart from the United States. London and the South-East have historically attracted a disproportionate share of this FDI. But the evidence shows that all UK regions can attract new investment. Firms outside of London and the South-East now win more than two thirds of all new investment projects – 508 of 757 investments in 1999-2000.

And across Britain's regions, we see evidence of economic developments which play to traditional strengths but also to new opportunities – such as new investments from Oracle in Birmingham; in Bristol, Orange, Hewlett-Packard and Toshiba, who have established a research base in the city in collaboration with Bristol University, and in Liverpool the new investments locating at the Estuary Commerce Park.

And while our cities have suffered significant population losses in the 1970s and 1980s, there has been a widespread turnaround in the last decade, with South and West Yorkshire and Greater Manchester showing population increases and city centres such as Manchester, Leeds, Birmingham have seen people moving back into city centres – indeed, the resident population in Manchester's city centre has risen from 300 at the end of the 1980s to an estimated 6,000 today.

A New Role for Government

The third reason for optimism about the future is this Government's commitment to play an active role in supporting balanced regional growth and urban regeneration.

When Labour came into government, we needed the new Treasury to make a decisive break from the past. We saw that delivering balanced growth, full employment and fairness meant a new approach to national economic policy.[3]

3. The Treasury's published aim is now "to raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all" and in the new public service agreements published in July the Treasury is committed not only to prudence in monetary and fiscal stability but to deliver high and stable levels of growth and employment - to raising the trend growth rate of the economy and to increasing employment over the economic cycle.

This new approach has required new policies to promote sustainable growth – to entrench economic stability, ensure a tax and regulatory environment that promotes investment, open competition and entrepreneurship; invest in education, skills and infrastructure; tackle the digital divide; and protect the environment. And it has demanded new policies to promote opportunity and tackle poverty – the New Deal to promote employment opportunity, the Working Families' Tax Credit, increases in child benefit, new investment in public services and a new Treasury target – with other departments – to cut child poverty by 2004 as we move towards our long-term goal of halving child poverty in 10 years and abolishing it in 20 years.

But we also saw that this required a new approach to regional policy – and a target for regional as well as national growth.[4]

The old Treasury was not enthusiastic about regional policy. As one research paper commissioned in preparation for the Urban White Paper put it, "the prevailing orthodoxy at the Treasury was that ...city and regeneration policies were essentially seen as distributional palliatives for treating symptoms in the poorest places".[5]

The first generation of regional policy, before the war, was essentially ambulance work getting help to high unemployment areas. The second generation in the 1960s and 1970s was based on large capital and tax incentives delivered by the then Department of Industry, almost certainly opposed by the Treasury. It was inflexible but it was also top-down. And it did not work.

Our new regional policy is based on two principles – it aims to strengthen the essential building blocks of growth – innovation, skills, the development of

4. The Treasury and the government have agreed to match the national target to raise the trend growth rate with a target to improve the economic performance of all regions measured by the trend rate of regional GDP per head.
5. Robson B., Parkinson M., Boddy M., Maclennan, D, "The State of English Cities". Background paper prepared for the Urban White Paper.

enterprise – by exploiting the indigenous strengths in each region and city. And it is bottom-up not top-down, with national government enabling powerful regional and local initiatives to work by providing the necessary flexibility and resources.

National government does not have all the answers – it never could. We need strategic decision-making and accountability at the regional and local level. That is why the government has also put in place a network of regional development agencies to play a strategic and co-ordinating role; and why there is a much greater role for local strategic partnerships, with local government at their centre, to co-ordinate local economic development and regeneration and tackle deprivation and exclusion. The next section sets out what has been achieved so far and the next steps that are needed.

The new regional policy – RDAs

First the Regional Development Agencies – the strategic leaders in regional and local economic development. Established last year, their first task has been to draw up and agree regional strategies which can build a shared understanding of the challenges regions face and a strategic vision for meeting them. At the same time, over the last three years, the government has put in place the resources which the RDAs can shape to promote enterprise, innovation and skills in every region. Twelve Institutes for Enterprise across the regions, the University Challenge scheme to support innovation, a network of regional venture capital funds, a £50 million clusters fund to invest in business incubators to build connections between funds, advisers, banks and business angels and local transport plans are part of the ten year boost to transport investment announced by the Deputy Prime Minister in the Spending Review.

In Yorkshire, for example, the RDA has not pulled its punches in highlighting strategic weaknesses across the region: too few businesses, especially high tech firms and poor business survival rates; low levels of inward investment; lower levels of educational achievement, particularly staying on rates at age 16; insufficient use of IT by SMEs. But it has also identified the region's strengths which can be built upon: an excellent strategic location; unrivalled communications infrastructure; a strong financial centre in Leeds; excellent universities, with a joint institute for enterprise between Sheffield, Leeds and York universities; and a skilled workforce which has shown great resourcefulness in adapting to change.

But the government did not get it all right at the beginning. Many RDA chairs felt over the past year that their ability to implement these strategies has been hampered by restrictions on the size of their budgets, their ability to direct resources to meet the economic priorities that they have identified and the fact that they have been reporting to three different departments.

The Treasury has worked closely with the DETR and the DTI to meet these concerns – and to go further than the RDAs themselves were expecting. In July, Gordon Brown and John Prescott announced a major enhancement in the role of the Regional Development Agencies. The new funding package for the RDAs provides:

- an increase in their budgets by £500 million a year by 2003/4 to £1.7 billion – with these resources continuing to be skewed towards the poorer regions;

- a greater focus for RDAs on regional economic development and regeneration with extra funding. This will help bring derelict and contaminated land back into productive use, support jobs, and promote enterprise;

- and in addition much greater flexibility for the RDAs to shift resources to local priorities, including a commitment by central government to implement a single cross-Departmental budget for the RDAs from April 2002.

In the recent Pre-Budget report, the government set out in greater detail the transitional arrangements that will apply next year, while the Government continues to work with RDA boards on the details of the new Single Budget. In order to be able to target resources more flexibly to meet local priorities, RDAs will next year be able to transfer up to 20 per cent of any programme, with no limit on the amount they will be able to transfer to any other programme, a doubling of their current flexibilities. And they will be able to transfer resources not only to existing programmes but to a new Strategic programme for innovative schemes that meet their economic and strategic aims.

In return, the RDAs will have to demonstrate top class leadership, co-ordinate with other regional and local partners and be more accountable for their activities – nationally, regionally and locally. The role of accountability is critical. In return for budget flexibility, RDAs will be asked to provide stretching outcome and output targets to ensure that their activities deliver their strategic goals – thereby matching flexibility with greater scrutiny.

Regional accountability cannot only mean accountability to the national tax payers via central government. The RDAs were required to consult the new voluntary Regional Chambers on drawing up their strategies. But the new resources and flexibilities for RDAs will require greater regional and local accountability and public scrutiny – to ensure that regional strategies are responding to the region's needs and helping ensure that decisions of RDA boards are consistent with regional and local strategies. And that means a greater responsibility on both local government and on regional chambers to demonstrate that they are properly and publicly holding RDA boards to account – and are properly resourced to do so.

The RDAs are already respond to this new region agenda. Many have forged close working relationships with them – as well as with local government – and are setting out public targets by which their actions can be judged. In Yorkshire, for example, Yorkshire Forward has already agreed clear and measurable targets for the Yorkshire and Humber region, to:

- create 150,000 new jobs by 2010;
- double the rate of small business start-ups;
- treble foreign manufacturing investment;
- train 2 million people with IT skills;
- halve the number of deprived wards;
- cut greenhouse gas emissions by over a fifth;
- and finally to achieve an increase in GDP per head above the UK and European average.

These targets demonstrate the combination of ambition and commitment to accountability – regionally as well as nationally and locally – which the RDAs will need if the new regional policy is to succeed and if our goals for balanced growth and full employment are to be achieved.

The new regional policy – Local Government

The RDAs role is strategic and catalytic. But it is locally – in towns, cities as well as rural areas – that people live and work and where business decisions are taken. Urban centres are powerful drivers for economic development and prosperity across their regions – centres of knowledge, learning and innovation, regional centres for business services, centres of culture and diversity. And as the work of the Core Cities group shows, strong and prosperous cities will ultimately depend on strong partnerships between public and private sectors.[6]

The new regional policy requires that partnerships perform at the local or city level what the RDA can do regionally – devising the strategy, building on local strengths. So, to implement the Spending Review and the Urban White Paper, the government is setting aside resources within the New Deal for Communities to support more cities in setting up effective local partnerships – called Local Strategic Partnerships. With local government at their centre, but also with local service providers such as police, schools, health and social services, and local businesses and community groups as well as RDA representation, LSPs can form a single coalition for a community, identifying and tackling problems but also playing to local strengths.

As at the national and regional level, so at the local level we also need greater accountability and transparency. The Government will pilot local Public Service Agreements with 20 local authorities and which will cover economic development and regeneration as well as public services and will be a means by which local government can unlock greater support and financial flexibilities as well as be held to account by local communities.

Local Strategic Partnerships – and over time local PSAs – will cover all

6. See Core Cities Synthesis report - Footnote 3.

Britain's communities. But cities have a particular responsibility – in drawing up these strategies – to ensure that prosperity is shared across the region. And just as successful cities will promote investment and jobs in their surrounding regions, so cities want to see much bigger flows of private investment in low-income, high-unemployment areas and encourage a dynamic enterprise culture in these areas, based on business-led growth and job creation.

Promoting Enterprise and Regeneration

The new way forward is to tackle the causes of slower growth – not just with tax incentives for property development, but by empowering local people with the skills and confidence they need to build the enterprising businesses that work. That is why the government is determined to support the expansion of local finance intermediaries – community finance initiatives – to provide micro-finance for enterprises who cannot access mainstream sources of finance.

Building on the £30 million Phoenix Fund that the Treasury announced last year to provide grants to help community finance initiatives get off the ground, the Social Investment Task Force led by Ronald Cohen, has recently proposed a series of policy initiatives to boost venture capital in our low income areas.

The government, in the Pre-Budget Report, has welcomed the Cohen report and endorsed its central conclusions. It is now consulting widely on the proposal for a Community Investment Tax credit, working to set up the Community Development Venture Fund and studying proposals for greater transparency, flexibility and financial training.

The Small Business Service has also been given a remit to maximise the opportunities for start-ups and small business growth, especially in our poorest regions and areas. And the next phase of the New Deal will create greater room for local initiatives. The government is creating action teams to give intensive help for job search and training in the high unemployment areas of the country and to promote new self-employment in those areas, will support intensive programmes of pre-start training, advice and mentoring, with new 'incubator' units in every region.

We also need to build sustainable cities and urban areas. The Lord Rogers Task Force reported to the Government last year and set out a challenging analysis and policy agenda. The government set out its response in the Urban White paper and in the Pre-Budget report.

The Rogers Task Force stressed that to meet the target that 60% of all new homes will be built on brownfield sites, we need better use of derelict, vacant and under-used land and buildings. And it highlighted the leadership role that local authorities must play in regeneration in partnership with the individuals and communities they represent.

Many cities and towns have already developed a vision for their communities and I know that many authorities are now responding to this agenda and contributing to an urban renaissance – by working with the New Deal for Communities, initiating the New Commitment for Regeneration, and setting up Urban Regeneration Companies.

And, responding to Rogers, the Government and the Treasury have set out how we can go further by promoting the use of appropriate national and local fiscal instruments to promote better land use and support regeneration. In addition to the many non-tax measures set out in the Urban White paper, the Pre-Budget report set out a package of new tax measures for consultation worth a cumulative £1bn over five years:

- a stamp duty exemption for all property transactions in Britain's most disadvantaged communities;

- an accelerated payable tax credit for the costs incurred in cleaning up contaminated sites;

- tax changes to encourage property conversions, including a reduced rate of VAT for converting residential properties and tax relief for converting flats over shops;

- the prospect of tax support for Urban Regeneration Companies.

These measures are in addition to proposals set out in the local government finance green paper Modernising Local Government Finance.

Tackling inequality and exclusion

We know that the story of economic improvement is not a story of improvement for everyone, that there are still too many people left out of the British success. Cities will not be able to reach their full economic potential unless they can tap into the unfulfilled potential of those stuck in our poorest communities and tackle the causes of poverty and lack of opportunity locally.

This poverty is concentrated in cities. For example, Glasgow covers nine out of the ten most deprived postcode areas in Scotland at a time when the city has seen a net increase in employment of over 30,000 since the early 1990s. This picture is repeated over and over again across the country and particularly in central London.

Why are deprived neighbourhoods benefiting so little from the increase in opportunities around them? Government – national as well as local – should take its share of the blame. A failure to deliver economic conditions necessary for growth. Planning policies that failed. Housing allocations that intensified divisions. And regeneration programmes that focused on one individual problem without tackling the causes of poverty and building solutions from the bottom up.

So our new regional policy means also a new approach to local economic and social regeneration. And the reforms to local government, the work of the Social Exclusion Unit and the Spending Review are all based on clear principles:

- main services should be equipped to become the main weapons against deprivation;

- local service deliverers need greater flexibility to work together through stronger local co-ordination; and

- local communities – residents and businesses – need to be fully involved in deciding the services that are provided for them.

In short, tackling the causes of poverty and disadvantage in a bottom-up way. And the Spending Review is putting these principles into practice, with:

- extra money for those interventions in deprived areas that have been shown to work – for example, doubling the support for Sure Start and increasing funding for local crime prevention initiatives;

- a Performance Reward Fund for those local authorities and their partners prepared to sign up to and deliver demanding local PSA targets;

- explicit commitments in departmental PSAs for outcomes or "floor targets" in all areas in jobs, crime, education and health;

- additional funding for the most deprived areas through an £800 million Neighbourhood Renewal Fund with local government and its partners in the Local Strategic Partnership – including the RDAs – left free to decide how to invest it to enable extra spending on local economic regeneration, teachers, crime reduction or other public services which help tackle disadvantage and lever in further resources.

So just as the New Regional Policy is giving greater flexibility to RDAs in return for greater accountability, so too with local government – new resources through the Spending Review and the Neighbourhood Renewal Fund matched by requirements on local government to be more accountable and work in partnership through local PSAs, Local Strategic Partnerships and in drawing up local community plans.

Conclusion

At the heart of the new regional policy lies a new commitment from central government to back regional and local initiative and enterprise:

- new resources for RDAs, local government and neighbourhood renewal with tax support for regeneration and enterprise;

- new flexibility for RDAs and local government to implement the regional and local strategic plans;

but also a new commitment to output-based policymaking and greater accountability – nationally, regionally and locally – where there is still further progress to make.

This New Regional Policy requires a new commitment from central government, regional and local government to work together and co-ordinate their efforts. It has been difficult for politicians and policy makers in local government in recent decades when the atmosphere was all too often one of confrontation, conflict between central and local government, a top-down and centralised regional policy and contradictory and overlapping requirements on local government.

Those days are behind us. We do have a great opportunity to work together. Because together national, regional and local government can share a vision of balanced growth and full employment in every region and the confidence that this can be achieved. Together we are putting the building blocks in place for better strategic co-ordination at the regional and local level, and delivering the resources too. Britain does now have the chance to deliver balanced growth and full employment in every region and in every community of our country.

RISING TO THE CHALLENGE: THE CHANGING AGENDA FOR RDAs AND GOVERNMENT IN BUILDING WORLD CLASS REGIONS

Graham Hall
Chairman, Yorkshire Forward

Summary
The Comprehensive Spending Review (CSR) in July 2000 announced extra flexibilities and resources for Regional Development Agencies (RDAs) and a stronger economic focus, moving RDAs to the centre of the Treasury's productivity and growth agenda. Graham Hall – Chief Executive of Yorkshire Electricity – was appointed as Chairman of Yorkshire Forward in December 1998 and has played a key role with his fellow Chairmen in persuading the Government to back RDAs. This article assesses what RDAs needed when they were set up, what the Government has delivered since, and what is required now.

April 1999 – the first year of RDAs
RDAs were established in April 1999 to address the "economic deficit" between the English regions and the European average of economic performance. The key priority in the first year of the RDAs was to produce clear, widely-owned Regional Economic Strategies that would drive these much-needed economic improvements. The strategies were delivered on time to Ministers, following a huge consultation exercise involving tens of thousands of businesses, public partners and others, and were approved by Government in January 2000.

The strategies will be nothing, mean nothing and achieve nothing, however, without focused, "joined-up" delivery of actions by a number of different agencies, not just RDAs. Two problems were clear to the Chairmen from the start. First and foremost, RDAs did not have the tools to do the job. The 11 different "stovepipe" funding streams, with a number of detailed strings attached, were not focused on the key issues identified in the strategies. This was particularly difficult to understand for the business-led boards of RDAs, with business people used to taking quick and decisive action to tackle problems. Secondly, RDAs were increasingly perceived as creatures of the DETR, rather than the engines of economic growth and "joined-up" Government envisaged by their architects, John Prescott and Dick Caborn. As a result, they could not effectively influence the other agencies that were vital to delivering the strategies.

What RDAs needed in July 1999

The RDA Chairmen decided to use their collective influence to press their case for change in July 1999, seeking the following response from Government:

- prioritisation across Government and, more particularly, for RDA strategies to be assessed as a package;

- flexibility within and between financial years, maximum delegations and no more than 3 separate funding streams;

- a single block grant within 2 years;

- an early discussion with Ministers on the Barnett formula;

- flexibility to devise new, innovative financial instruments to lever in new private sector investment;

- Training and Enterprise Councils (soon to be Learning and Skills Councils (LSCs)) funding to be routed through RDAs and a significant leading role on Europe; and

- a review of outputs and assessment methods in key departmental funding streams.

What did the Government deliver?

The Government has delivered an emphatic response to this agenda.

- *on prioritisation*, the CSR has provided RDAs with a much clearer steer about their delivery priorities, shifting the focus towards strategic economic development. The strategies were addressed as a package and there is evidence that Ministers, if not yet all of Whitehall, have realized that "joined-up" thinking involves more than just stapling DETR, DTI and DfEE guidance together!

- *on flexibility*, the Chancellor's pre-Budget statement announced greater flexibility in RDAs' ability to move funds between programmes in the 2001/2 financial year. RDAs are still keen to boil down the 11 funding streams into 3 in this transitional year;

- the promise of a *"single pot"* for RDA spending from April 2002 is the best news for the English regions. It will allow for the first time real priorities to be set for funding to deliver the strategies;

- the Chairmen discussed the *Barnett formula* with Ministers last year and the Government's position was unchanged;

- *on innovative financial instruments*, the development of the Regional Venture Capital Funds has been delayed, but is now likely to be delivered from 2001/2 onwards;

- although the response of DfEE to the regional agenda has been disappointing at times, steps have been taken to ensure that RDAs and *LSCs* work effectively to deliver real improvements in the skills and lifelong learning agenda. More clarity is still needed in RDAs' European role;

• on *output and assessment measures,* more work is required to ensure that the outcomes envisaged in the CSR for different Departments are applied to the English regions in a way that recognises regional diversity and thus the targets set in Regional Economic Strategies.

What is needed now?

The RDA Chairmen are pleased with the response of Ministers to this agenda for change. We are in no doubt that the time has come for RDAs to roll up their sleeves and ensure the delivery of real economic improvements. There is also an ongoing responsibility on Ministers to create an "enabling" environment for RDAs, however, and a new set of priorities have emerged.

Firstly, the concept of the "single pot" must be made a reality. This concept is so counter-cultural to the way Parliament votes money, the accountability mechanisms and the "command and control" nature of large parts of Whitehall that this is not as simple as it first seems. This must consist of a clear corporate planning process, whereby the Government "buys" a single set of outcomes – one Public Service Agreement – from RDAs, and sensible monitoring and review arrangements. It must not consist of separate corporate plans, prescriptive guidance, an excessive degree of detail in planning and reporting, mid-year initiatives involving RDA bidding and outputs so specific as to make any flexibility mythical. That is our biggest current challenge for Ministers.

The financial accountability arrangements should be changed to reflect the devolution of responsibility to RDAs. RDA Chief Executives should take sole responsibility as Accounting Officers and Departmental Permanent Secretaries should lose their present dual responsibility. This will help to relax the present "control" culture of the Civil Service. A more fundamental review of the Civil Service may also be needed in the medium term.

Improvements should be made to measuring RDA success. This needs to be done at two levels as a result of the single pot. At one level, measurement of improvements in the regional economy are currently inadequate. For example, Gross Domestic Product per head and the number of new businesses making VAT registrations are backward-looking indicators that report activities over two years old. If they remain unchanged, we will only know about the impact on regional economies of the first year of the single pot in 2005. As importantly – given that such outcomes will rely on many other factors than RDAs – we need to devise with Government better indicators of the success of RDA spending programmes, through objective qualitative, as well as quantitative, analysis. This should assess the effectiveness with which RDAs have engaged with Regional Chambers and Assemblies.

Regional Economic Strategies should be given real "teeth", in order to ensure that delivery agencies align their spending plans. The CSR has rightly not changed the rationale, robustness or relevance of the strategies at all. Some roles within these have changed, however, not least for RDAs. For the strategies to realise their true potential, the Government needs to make clear that the performance of key delivery agencies – particularly Local Authorities, Learning and Skills Councils, the Small Business Service, Universities and local strategic partnerships – will be judged, inter alia, against those strategies. This could be taken a step further by giving the RDAs a key role in measuring the performance of public agencies in delivering those national and regional targets (which would fit with a strategic role on European funds (see next paragraph). A major review of the delivery agencies in a pilot region would help this process.

A strong strategic role on European funds, Information Communication Technologies and enterprise. These are areas of true added value for RDAs. They should have real clout in both managing the performance of European Structural Funds and drawing down large sums for strategic projects, leaving the financial monitoring and administrative management to Government Offices. On ICT, the Government should examine the need to accelerate the provision of 21st century ICT infrastructure in poorer and rural areas through fiscal and grant incentives and enable RDAs to set priorities. Such measures will be vital to avoid a "digital divide" exacerbating the gap between the UK regions. The cultural change required to deliver a radical shift in the numbers of business start-ups is a priority for the Government and RDAs. For example, the Government could consider incentivising the banks to work with RDAs to allow students, householders and others to transfer debt to equity to fund business start-ups.

A fair and equitable distribution of public spending per head will be vital to ensure that the poorer English regions have a much greater chance of narrowing the gap with London and the South-East. A period may be needed to ensure a smooth and well-planned transition, but the CSR provides the resources to redistribute more education, health and transport spending to those regions that need it most. The time has surely come to look again at the Barnett formula.

The Government's devolution policy has to date been successful. In regions such as Yorkshire and Humber, any early concerns about business-led RDAs clashing constantly with local government-led Regional Chambers have not materialised. This is no accident and is a direct result of genuine partnership working, involving clear communication, mutual respect and compromise on both sides. It will be important to build on such success and continue the evolutionary process of strengthening regional governance without slowing down decision making or diluting the hard choices that need to be made.

Conclusion

The Government has responded emphatically to RDA concerns by moving them to the heart of the productivity and growth agenda. Larger budgets and much greater flexibility open up tremendous opportunities for the English regions. The business-led RDAs will respond to this challenge. As we move from strategy to strategic delivery, RDAs need a further response from Government to a new agenda: consolidation of the single pot, stronger support for Regional Economic Strategies, new roles on Europe, ICT and enterprise, and 21st century answers to the distribution of public spending and regional governance.

PROSPEROUS CITIES MAKE PROSPEROUS REGIONS

Bob Kerslake
Chief Executive Sheffield City Council

In September this year Sheffield hosted the annual conference of the English Core Cities Group. Over two days representatives from all walks of life in England's seven largest cities outside London worked together with Government Ministers, senior Whitehall officials, delegates from national and regional institutions, leading academics, and business leaders.

We listened to and debated a range of perspectives from the UK, the USA, and Continental Europe on the economic and social challenges facing cities today. Our aim was to clarify a modern agenda for cities, ensuring they play a full part in delivering national goals for sustainable economic growth and social equity.

Two months later the Conference Report was published on the same day that the Government launched the Urban White Paper – symbolically demonstrating not only the degree of consensus now developing about the critical challenges facing our cities, but also the need for partnership and mutual trust to take forward a long term agenda.

At the heart of this agenda is the task of enhancing the economic strength of our regional cities. Our success in achieving this goal will determine not just the future living standards of people who live in cities – but also the prosperity of towns and villages in the surrounding regions.

To reflect the importance of this economic challenge the Core Cities Conference 2000 was titled "Prosperous Cities make Prosperous Regions".

The city-region opportunity

Recent research into the economic functions of cities in advanced countries has shown a robust causal relationship between the economic strength of major cities and the competitiveness of their surrounding regions. Policy makers are increasingly concerned to understand the dynamics of this "city-region" relationship and the opportunities it presents to boost progress towards overarching economic and social goals.

This focus on cities as economic assets follows decades in which they have more often been seen as repositories of social and environmental problems flowing from the decline of traditional "smokestack" industries. The change in outlook has been driven by our emerging understanding of the requirements of the "knowledge economy".

Increasing pressures from global competition and technological advances place a growing premium on continuous innovation in the creation and use of knowledge as the key determinant of competitive advantage in both manufacturing and services. And the ingredients for successful innovation in a modern economy habitually locate in or near cities – universities and R&D institutions; providers of risk and venture capital; international transport hubs; pools of highly qualified knowledge workers; attractive, vibrant work and social environments; leading cultural events. The location in major cities of higher functions of government also influences where professional organisations and the influential media choose to site themselves – thereby further adding to the "buzz" which attracts strategic business functions.

Cities which are successful in developing and promoting these attributes become the natural locations for "clusters" of highly competitive businesses which find advantages in co-operation in order to enhance their market strengths. But in an increasingly inter-connected world economy the gap between success and failure is widening. Cities successful in attracting and retaining a critical mass of knowledge economy functions are bringing increasing prosperity to their regions. But cities still grappling with the downsizing of traditional industries face a major task in building up an asset base attractive to the new economy.

The city-region in practice

Successful cities bring economic benefits to their regions in different ways.

Global cities, like London, not only spawn strong satellite economies on their fringes, like Hounslow/Heathrow, but they also help to power prosperous overspill towns, like Swindon, and with efficient transport links can influence the growth of more distant cities, like Bristol. The critical mass of highly paid jobs in global cities fuels the economies in a belt of prosperous commuter towns.

Regional cities which develop specialised strengths in depth – for example the dense concentration of specialised R&D in Stuttgart – can drive up the economies of urban centres in the surrounding region to produce notably high levels of GDP – which in Stuttgart derives largely from high value manufacturing.

Combining the strengths of neighbouring cities to add value to key economic assets also raises prosperity across a wider region. The major cities of the Ruhr and the southern Netherlands are leading examples of the benefits from collaboration. The new Denmark-Sweden fixed link is a major initiative to achieve collaboration benefits across international borders by creating a new Copenhagen-Malmo economic region.

The challenge for cities in Britain

Historically, the political and economic power of London has played a stronger determining role in the country's economic fortunes than has been the case in many of our main competitor countries. Paradoxically, however, concerns about "geographic balance" in the national economy are now surfacing at a time when the recent period of unprecedented growth has delivered more jobs and lower unemployment from which all regions are benefiting.

But recent evidence points to the increasing concentration of knowledge based businesses in London and the South-East. For example, the Invest in Britain Bureau reports that while Britain is increasingly successful in attracting high technology, Internet, and R&D projects (particularly from the USA), these businesses are largely choosing locations in the South East.

Continuation of this trend would have unpalatable medium term implications – structural imbalances constraining national economic growth, widening social imbalances as a result of migration to the South East, increasing congestion in the South East threatening London's global status.

GDP figures underline the success of the London "city-region", but also show that the regions containing major regional cities – Birmingham, Manchester, and Leeds – all have GDP lower than the EU average. Sheffield and Liverpool are both in regions where GDP is even lower – leading to designation for EU Objective 1 status.

So our challenge in Britain must be to find ways of replicating in other cities and their regions the factors which currently lead ambitious businesses in growth sectors to locate in London and the South East – and thereby strengthen the economies of other regions, reduce pressures on the South East, and raise the growth potential of the national economy as a whole.

The Government's agenda

The present Government's policy agenda has worked to the advantage of regional economies in two particular ways.

First, the overriding emphasis on macro-economic stability as a pre-requisite for sustainable growth has clearly been successful in creating a business climate from which all regions are benefiting.

Second, this Government has signalled the importance it attaches to the regional agenda in ways which go well beyond the actions of its predecessors. The immediate move to set up business-led Regional Development Agencies was quickly followed by a range of micro-economic initiatives (New Deals and Zones) to improve the functioning of labour markets and to open more opportunities for individuals to acquire skills and jobs. Recent announcements of additional resources and flexibilities for RDAs mark a further welcome step along this road. Similarly the publication of the "Reaching Out: Action Plan" provides further clarity about the evolving role of central Government in the Regions.

The Urban White Paper demonstrates unambiguously the critical role that strong city economies must play in creating both prosperous regions and inclusive neighbourhoods.

The Way Ahead

In my view we have reached a stage where national policy has put in place a wide range of valuable economic building blocks which must now be brought together to create greater competitiveness and prosperity. Our objectives must, of course, include prolonging the current trend of more jobs and less unemployment in all regions. But, more importantly, this is an opportunity to significantly enhance the national economy's medium term growth potential by achieving a better regional balance of the factors which favour businesses in the knowledge economy.

To achieve this I suggest that we need to address the following four Challenges in an integrated way:

The First Challenge is to analyse the nature and effect of the current "inhibitors" which hold back the relative competitiveness of cities and regions outside the South-East. Researchers tell us that businesses in the knowledge economy prefer to locate in London and the South-East because the factors which guide their choice are overwhelmingly concentrated there. Analysing these "inhibitors" is, undeniably, a complex task involving difficult judgements about cause and effect, and about the interaction between public policies and market dynamics. But more understanding about the "inhibitors", and the policy options for turning constraints into advantages, would open the way for developing more stretching targets for economic growth in regions and cities – drawing on the principles now being tested in Public Service Agreements.

The Second Challenge is to ensure that the Regional Economic Strategies continue to develop as respected and authoritative vehicles for delivering greater competitiveness and prosperity. It will be important to ensure that all regions make optimal strategic use of the many new economic initiatives the Government has recently announced. Cities have a particular interest in being at the heart of this process to ensure that their ability to develop unique national and international market niches is fully exploited for the benefit of the whole region. Similarly the potential for greater complementarity between the regional economies – and more collaboration between cities – needs to be explored in the context of creating national advantage and enabling London to develop further as a leading global city.

The Third Challenge is to ensure that cities themselves continue to strengthen their economic strategies as integral features of their overall community vision. Many cities have made much progress through voluntary strategic partnerships. The Urban White Paper now provides opportunities to put greater formality into these arrangements by forming Local Strategic Partnerships. Cities will want to explore with Government exactly how LSPs can be involved in setting stretching economic targets and in marshalling the resources needed for delivery. The White Paper envisages RDAs being part of the LSP process – which will be helpful in linking city agendas with Regional Economic Strategies.

And finally the Fourth Challenge is to ensure that policy and resourcing frameworks are systematically developed in ways which support agreed economic goals in cities and regions. This will require new ways of working between Government, RDAs, and local authority representatives to ensure that national, regional and local economic perspectives are effectively brought together.

The Sheffield experience

My own city of Sheffield needs no persuading of the importance of these challenges. During the fundamental economic changes of the 1980s the City lost 80,000 jobs – about a quarter of total employment. This created wide social divisions across the City with whole communities being progressively excluded from job opportunities. Today Sheffield's GDP is only 87% of the EU average – and we are surrounded by a region which has gone through a similar experience and is for the most part significantly poorer.

Sheffield's immediate response to this economic shock was to assume that new jobs based around existing skills could be created and attracted in sufficient numbers to make good the deficit. But, although unemployment has fallen significantly, as part of the national trend, the continuing fragility of the local economy together with forecasts of further decline ahead has recently led to a fundamental policy shift.

Together with all the other key partners in South Yorkshire we have committed ourselves, through our Objective 1 Programme, to transforming the economic structure away from declining traditional industries by attracting and growing high technology knowledge based manufacturing and service sectors – and at the same time working to achieve a step change in education and skill levels throughout the community.

The Objective 1 Partners are in no doubt about Sheffield's responsibility as the region's "core city" for driving the process of economic upgrading. We are already making significant progress in laying the foundations.

Sheffield is one of three cities chosen to pilot the new Urban Regeneration Companies. "Sheffield One" began work a year ago and is now well advanced in developing its Masterplan, geared to putting in place the drivers for a new high tech economy; creating a vibrant centre for learning, culture, retail, leisure, and living; improving accessibility; and enhancing the quality of the public realm.

Transformation of the City Centre will be a crucial factor in our ability to create a more prosperous and inclusive city, which is also a motor of growth for the region as a whole. But we also need city-wide action, and our overarching strategy "Putting Sheffield First – Achieving Excellence" sets clear goals for strengthening the economy and systematically opening more opportunities for disadvantaged communities. Getting our city-wide partnership, Sheffield First, designated an early Local Strategic Partnership is now an important objective.

Over the past year Sheffield has worked closely with the RDA, Yorkshire Forward – and the key role of major cities is fully recognised in the Regional Economic Strategy. We attach great importance to this relationship, which is reciprocated by Yorkshire Forward's own central role in our Urban Regeneration Company, as well as in our Objective 1 plans more generally.

CONCLUSION

John Healey MP

From local, regional and national vantage points, the contributors to this pamphlet draw the outline of Labour's new approach to regional policy.

The first term report for this policy and the English regional development agencies (RDAs) designed to deliver it might read: "Slow start. Shows promise". But what should we expect in the second term?

Slow start. Shows promise

Our new regional policy is very significant, and the substance of it has developed in Government, not forged in opposition. The conviction that greater national prosperity must also mean a fairer share and spread of prosperity and that regional inequality is not inevitable, as Ed Balls explains, represents a truly radical break from recent years. The determination to achieve more balanced growth, prioritise poorer areas and tackle the causes of economic under-performance rather than soften the social consequences is a fundamental change in policy.

Setting up RDAs in the English regions was the one significant pledge hammered out in opposition. The year one priority for RDAs has been to develop a clear and widely-owned regional economic strategy (RES) which, as Bob Kerslake confirms, are developing as "respected and authoritative vehicles" for delivering greater competitiveness. Ministers responded rapidly to early RDA demands to be given "the tools to do the job". A "single pot" for RDA spending, innovative financial leverage, and clearer priorities and output targets from Government were top of the RDAs' list.

We have seen too a growing acceptance in Government of the need to regionalise national policy, and in turn localise it further. As Richard Caborn explains for instance in his introduction to this pamphlet, the DTI is introducing a regional dimension to policies on innovation, science, trade, venture capital funding and e-commerce while the national New Deal framework has become more flexible and is being commonly re-engineered to suit local labour markets. Across the range of Government departments broad policy aims are being pursued through programmes tailored to local needs by local agencies and partnerships, such as local employment plans, health improvement programmes, crime reduction strategies and incentives to embrace e-commerce.

Second term challenges

Some are still sitting back waiting for Government to deliver the money or the RDA to deliver the enterprise they think will deal with the economic deficit in their area. But the new regional policy presents all of us committed to its success with challenges in the second term.

Challenge for RDAs

We should now expect a decisive shift from strategy planning to strategic delivery, with outcomes from other agencies across the region in line with RES targets.

In July 1999 the RDA chairs produced a seven-point plan of measures they wanted to see from Ministers. Government gave them an "emphatic response", according to Graham Hall, though by July 2000 they had a new set of seven demands of Government. Graham Hall argues the RDAs "need a further response from Government to a new agenda". It is right that RDAs demand support from Government but equally Government is right to demand delivery now from the RDAs.

The big increase in resources and flexibility in the Spending Review 2000 (SR2000) will give RDAs greater power of direction but leadership and influence will remain their principal tools for aligning the economic role of agencies like the Employment Service, Connexions service, Learning and Skills Councils, Small Business Service and local councils with their RES.

Perhaps RDAs should be able to conduct “RES compliance audits” to assess the contribution that such agencies are making to economic competitiveness and activity in their areas? Where performance is particularly poor or strategies in conflict with the RES, perhaps local authorities and regional chambers might also step in to scrutinise the work of the agency?

Challenge for Government

Central government must be prepared to allow further development of the RDAs’ responsibilities and resources, though it is reasonable to anticipate these as earned increments that might follow evidence of delivery against economic outcomes. This would mean we might see multi-speed RDAs.

However, land use planning and transport are key factors in regeneration and productivity growth in every region. Regional planning powers should therefore be brought into closer alignment with regional economic strategies. The main purpose of regional planning guidance (RPG) is to provide a regional framework for local authority development plans and local transport plans. The RPG is developed by regional chambers and issued by the Secretary of State. The RES is produced by RDAs. These are parallel systems with overlapping objectives, such as sustainable development, economic and social gain and environmental improvement. RDAs need not direct the planning process but just as local authorities must have a statutory regard to the RPG in preparing their own development plans, perhaps regional chambers should have a statutory regard to the RES in preparing the RPG?

Challenge for local partnerships and agencies

The new regional policy requires that agencies in partnership perform at the local level what the RDA can do regionally – setting priorities, devising strategy, coordinating effort and monitoring impact.

The new local strategic partnerships that Government is setting up to help implement the regeneration aims of the urban white paper and SR2000 face similar dilemmas and decisions to the RDA: are they strategy or delivery bodies? What degree of resource allocation do they assume? How do they secure the commitment of partner agencies to their strategies? What powers of direction or sanction do they have? Above all, should their principal focus economic or social and community development?

The reduction in regional inequalities and growth in prosperity is driven by an increase in jobs and wealth-creating activity. The first and foremost focus for both RDAs and local strategic partnerships must therefore be economic. And there is a danger of blunting this economic edge within broader partnership working, community planning, joining up service delivery, broader strategic remits and resourcing responsibility for social programmes.

Though social exclusion has to be tackled in tandem with economic regeneration, perhaps the primary partnership or board should remain enterprise focussed with wider aims and representation pursued through linked operational partnerships?

Challenges for all: Building up economic assets

We believe regional inequality is not inevitable. But to what degree is it reducible? If a low GDP per head is the main symptom causing concern, sustained business investment is the primary treatment to tackle the cause. However, the factors that draw in the firms and jobs in the modern economy – universities, R&D institutions, venture capital, international transport links, high knowledge workers, cultural and social milieu – are not and cannot be universally present.

Labour's policy prescription in the PBR2000 and SR2000 is to direct resources and incentives, including fiscal measures, to areas of urban disadvantage. This is necessary but may not prove sufficient and perhaps a long-term strategy that aims for a wider spread of economic assets such as airports, universities, research labs, government offices etc, will be essential?

Measuring success

Our concern is to tackle the causes of slow growth and poor job creation but, as Graham Hall points out, our current measures of economic activity – GDP per head or company VAT registrations – are poor and two years post hoc. Robust outcome measures are used to monitor some programmes with an economic impact, such as the New Deal which could serve as proxies. However, new and timely measures of economic activity are needed, to reinforce both the RDAs' ability to manage their performance and our ability to hold them to account.

The time horizons for economic regeneration are also long and do not fit well with political terms or government resource decisions, even on the new three-year spending cycles. Perhaps government investment commitments therefore are required over an even longer term?

Calling to account

As RDA resources, responsibilities and flexibilities increase, so must scrutiny and accountability. Principles and procedures of governance will certainly come to the fore in the second term. Published plans, clear targets, open reporting on operations, better measures for monitoring impacts as well as outcomes are all essential. But who should call the RDAs to account? Local government and regional chambers should properly play a more active role, and ministers will continue to do so as they remain ultimately responsible for the disbursement of public money.

However, the House of Commons has just created a special select committee of the regions. This new Parliamentary committee is empowered and well placed to fill the scrutiny gap for the new regional policy. With the power to launch inquiries, summon witnesses, publish reports and require government responses this committee of the regions could audit the performance of RDAs, monitor the impact of RESs and make useful cross-regional comparisons. The committee could play a role in the assessment of RDA chairs and in holding them to account. And where a RES compliance audit suggested a particular problem with the contribution of a local, sub regional or other regional agency then the committee might properly investigate and report.

Perhaps, therefore, there is even a role for MPs in our new regional policy?