

2788

CONFIDENTIAL

10 DOWNING STREET

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FILE TITLE:

Policy

SERIES

REGIONS

PART:

2

PART BEGINS:

22 NOVEMBER 2001

PART ENDS:

21 FEB 2002

CAB ONE:

Labour Administration

Part closed

MEM 49/2788

CONFIDENTIAL

PART

CLOSED

DATE CLOSED	21 FEB 2002
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Series : REGIONS

File Title : POLICY

Part : 2

Date	From	To	Subject	Class	Secret
23/11/2001	PD(ME)	dpmo	(M) Neighbourhood Renewal	R	0
06/12/2001	PD(AMc)	PM	Regional Government White Paper	R	
07/12/2001	SS/DCMS	DPM	Elected Regional Assemblies Culture, Tourism and Sport	U	
07/12/2001	SS/DEFRA	EST	better information for the neighbourhood renewal agenda	C	
12/12/2001	SS/DoH	DPM	English Regional Government: Elected Regional Assemblies	U	
12/12/2001	CST	DPM	Committee of Nations and Regions:12 December 2001	R	
13/12/2001	SS/DTI	DPM	Meeting of CNR,13 December:English Devolution and Economic Dev	R	
14/12/2001	PD(GN)	PM	Regional Development Agencies	R	0
20/12/2001	PD(AMc)	PM	Regional Government White Paper	R	
20/12/2001	DPM	PM	Regional Governance White Paper	C	
21/12/2001	MS/DTLR	DPM	Urban Policy Unit Evaluation Strategy - A Draft Consultation Paper	U	0
09/01/2002	PD(AMc)	PM	Regional government WP	C	
11/01/2002	DPM	PM	Review of access to regeneration funding: Interim report	U	
15/01/2002		PD(GN)	From Graham Hall;Yorkshire RDA - Follow-up to meeting on 8 Janua	C	
16/01/2002	PD(AMc)	dpmo	Regional Government White Paper	R	
21/01/2002	PD(OJ)	PM	New Chair of the North West RDA	R	
21/01/2002	DPM	PM	Regional Government White Paper	C	
21/01/2002	LC	SS/WO	Golden Jubilee city status competition Applications from Wales	C	
21/01/2002	LC	SS/SO	Golden Jubilee city status competition Applications from scotland	C	
21/01/2002	LC	SS/NIO	Golden Jubilee city status competition Applications from NI	C	
23/01/2002	PD(AMc)	PM	Regional Government White Paper	R	
24/01/2002	SS/WO	LC	City Status & Lord Mayoralty Competitions for the Queens Golden Ju	R	
25/01/2002	PD(ME)	PM	City Status Competition	R	
29/01/2002	PD(GN)	DTI	Bryan Gray Chair of the North West Development Agency	U	0
29/01/2002	PD(ME)	LCD	City Status and Lord Mayoralty Competitions for the Queen's Golden	R	0
31/01/2002		DPM	From Leader of the House of Lords : CNR (02) 6 Electoral System fo	U	0
08/02/2002	DPM	PM	Health scrutiny powers for elected regional assemblies	C	
08/02/2002	PD(ME)	PM	Review of access to regeneration funding	C	
14/02/2002	SS/DCMS	DPM	Committee on the Nations and Regions : 14 February 2002	U	
16/02/2002	SS/DTLR	SS/DTI	House of Commons Regional Affairs Standing Committee (RASC)	U	
18/02/2002	DPM	CH/EX	Neighbourhood renewal	C	
21/02/2002		PD(GN)	From National RDA Secretariat : Prime Minister's Meeting with RDA	U	

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fax message

To	Geoffrey Norris	Date	21 February 2002
Company	Prime Minister's office		
Fax Number	0207 930 5520	Pages (incl. Cover)	1
From	Gill Caves (Tel. direct. 0121 380 3545)		



Dear Geoffrey

RE: PRIME MINISTER'S MEETING WITH RDA CHAIRS – 26 FEBRUARY 2002, 3.00 pm – 4.00pm

I know that you are in discussion with NWDA (Mike Shields) about the format and content for this meeting but he has asked me to deal with the logistical arrangements for the meeting. Andria has advised that I set these down in a fax to you.

As I think you know, the RDAs would like to make a presentation to the P.M. I am aware that some rooms within No. 10 lend themselves more readily to a formal presentation; is the room identified for this meeting suitable for this and will we be able to have the use of an OHP?

We shall be preparing some presentation packs for all those attending the meeting and it would be helpful to know who is likely to be present in addition to the P.M. (numbers and names). We would like to get advance copies to you so that they can be distributed in advance of the meeting (although this is unlikely to be before Monday afternoon). We can either arrange for just 2 copies to be couriered to you for your own and the P.M.'s use, or we can arrange for a sufficient number for all attendees to be sent to you (excl. the RDA representatives). I should be grateful if you would let me know your preference so that I can make the necessary arrangements.

As Mike Shields has already indicated to you, the attendees from the RDAs will be the 9 Chairs, himself (as the current Chair of the RDA Chief Executives) and myself as Head of the RDA Secretariat. Since Mike's letter to you, Bryan Gray has been identified as the Chair designate for the North West RDA (to succeed Lord Thomas) and in anticipation of his appointment being announced formally he has begun to attend meetings of the Chairs to help his learning process. Would it be acceptable for Mr Gray to attend this meeting? It would mean the RDA attendance would number 12 people. For security purposes I have attached a list of the names of the RDA attendees; if you would like biographies please let me know.

Gill Caves

RDA CHAIRS' MEETING WITH THE PRIME MINISTER**NO. 10 DOWNING STREET, 3.00PM – 4.00PM, 26 FEBRUARY 2002**

Lord Thomas of Macclesfield – North West Development Agency (Current Chair of the RDA Chairs)

Bryan Gray - Chair Designate - North West Development Agency

Alex Stephenson – Advantage West Midlands

Vincent Watts – East of England Development Agency

Derek Mapp – East Midlands Development Agency

George Barlow - London Development Agency

Dr John Bridge – One North East

Graham Hall - Yorkshire Forward

Allan Willett - South East England Development Agency

Sir Michael Lickiss - South West of England Regional Development Agency

Mike Shields -Chief Executive, North West Development Agency

Gill Caves – Head of National RDA Secretariat



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MATRIX

Top: PD (ME)
" PD (NA)
PD (AA)

DEPUTY PRIME MINISTER

OFFICE OF THE
DEPUTY PRIME MINISTER
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The Rt Hon Gordon Brown MP
Chancellor of the Exchequer
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19 February 2002

NEIGHBOURHOOD RENEWAL

I am looking forward to the meeting of PSX later this month which will discuss Neighbourhood Renewal, along with a number of other cross cutting themes. I thought it might be helpful if, as Chairman of DA(SER), I wrote with some thoughts in advance of PSX on what seem to me to be the key messages emerging from the work that has been set in hand to take Neighbourhood Renewal forward.

DA(SER) has been pressing departments on the importance of delivering neighbourhood renewal and improving our most deprived neighbourhoods. We will be judged on our success in delivering improvements that make a real difference to the lives of people living in those areas. We are working to put neighbourhood renewal at the heart of all key departmental policies, rather than it being seen as an "add on". This will show what more we are doing to deliver neighbourhood renewal, over and above our existing aims and objectives, for example, our plans to improve standards overall or to raise national averages.

It has become increasingly apparent to me that the concept of "mainstreaming" is critical. The departments of Education and Skills; Health; Work and Pensions; Transport, Local Government and the Regions; Trade and Industry; Environment, Food and Rural Affairs; Culture, Media and Sport; the Home Office and the Lord Chancellor's Department all need to work to ensure that the services they sponsor are sufficiently flexible to be able to reach all of those in need of them and not merely the 'average' user. This flexibility in delivery is also a key element of the Prime Minister's principles of public sector reform.



SKP 20/2/02

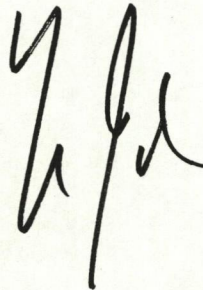
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DA(SER) has agreed that these departments need to do more to co-ordinate their efforts to tackle deprivation. The complex and interrelated problems which deprived areas have means that co-ordinated solutions, capitalising on the emerging Local Strategic Partnerships, are the only solutions which are likely to be successful in the long term. DA(SER) also agreed that (given that floor targets are spatially expressed), departments need to work better to understand the spatial impact of their policies and programmes, and in particular on the 88 local authority areas which benefit from the Neighbourhood Renewal Fund. DA(SER) has put in place a work programme in respect of these issues.

Finally, I believe that floor targets were a crucial innovation for Neighbourhood Renewal in SR2000 and a key lever with which to improve the performance of public services in deprived areas; and I welcome the work which Sir Andrew Turnbull's group is doing to take forward and develop these targets in SR2002, to make them more specific, more effective, better focused on deprived areas, and easier to measure.

I attach great importance to delivering neighbourhood renewal and am taking forward delivery of the strategy within DA(SER). I fully support the work being undertaken by my colleagues, both within their individual departments and collectively. This is a challenging agenda which requires a complete change in the way we deliver key services. I hope we can have a useful discussion at PSX about how to take these issues forward in SR2002.

I am copying to the Prime Minister, members of DA(SER) and PSX, and to Sir Richard Wilson and Sir Andrew Turnbull.

A handwritten signature in black ink, appearing to read 'John Prescott', written in a cursive style.

JOHN PRESCOTT

FROM THE SECRETARY OF STATE



The Rt Hon Patricia Hewitt MP
Secretary of State
Department of Trade & Industry
1 Victoria Street
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DEPARTMENT FOR TRANSPORT,
LOCAL GOVERNMENT AND THE REGIONS

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~~BJ~~
C ~~AGN~~
AMCG
CS
ME
MA

Dear Pat,

16 February 2002

HOUSE OF COMMONS REGIONAL AFFAIRS STANDING COMMITTEE (RASC)

The recently revived RASC met twice in 2001, most recently on the 18 December to debate 'Regional Governance in England'. At that meeting, members expressed a wish both to meet on a more regular basis (the committee had not met before the meetings last year), and to focus on more detailed aspects of policy implementation. In particular, they were keen to debate aspects of the Regional Development Agencies performance. Andrew George, who is on the committee, has also asked a Parliamentary Question (originally directed to you, but answered by Sally Keeble) requesting a number of RDA related subjects that the committee could debate. This is attached.

As per Standing Order 117 (6) committee meetings, and the subjects it debates, are proposed by the Government, and my Department takes the lead in both suggesting business and co-ordinating meetings. I attach some background to the committee for information.

Against this background I propose that the committee should meet before the Easter recess to debate 'The progress made by Regional Development Agencies against their objectives'. If you agree, it would be appropriate for someone from your Ministerial team to represent the Government.

The timing is quite important. The committee will expect to debate the forthcoming White Paper on regional governance soon after it is published, which could be immediately before Easter, but the date for it is not yet certain. If we schedule a debate on RDAs after Easter, there is a risk that the White Paper will precede it. It would be ideal if we could schedule a debate on RDAs in mid March, before any likely publication of the White Paper, and then following publication, a discussion on the content of that Paper.



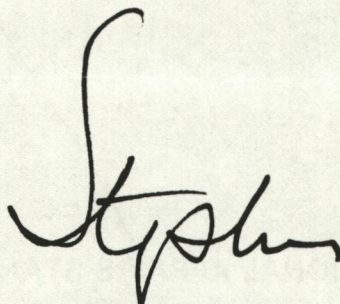
INVESTOR IN PEOPLE

I would also like to seek suggestions from you and other Cabinet colleagues to subjects that we might invite the Committee to consider for subsequent meetings, the first is likely to be after the summer recess.

If the committee is to meet in mid March it is necessary to lay a motion in Parliament in the first week of March. I would therefore appreciate a response on the subject for the next meeting by **28 February**. On your Departments list of topics, I would appreciate a response by **April 18**.

I am copying this to Cabinet colleagues and Sir Richard Wilson.

Yours,

A handwritten signature in black ink, appearing to read 'Stephen Byers', written in a cursive style.

STEPHEN BYERS

Background to Regional Affairs Standing Committee

History

The original Standing Committee on Regional Affairs was established in 1975 and last met in 1978. It met a total of thirteen times, on the subjects described in the table below:

Session	Subject	No. of meetings	No. Members attending
1974 -75	SW of England	1	30
	NW of England	1	36
	Northern Region	1	26
	Unemployment in EM	1	32
1975-76	Regional strategy for East Anglia	2	15, 12
	Y&H Economic Planning Council Regional Strategy Review	2	23,23
	SE Region	1	14
	NW Affairs	1	30
1976-77	The health service in the NW	1	22
1977-78	The 1976 Review of the strategic plan for the SE	2	62, 24

The committee has now been re-constituted to provide a forum in which MPs could debate, in a more focussed way, matters affecting a specific region or regional affairs generally. In part, this is to address the comparative disadvantage the English Regions have had compared to Scotland, Wales and Northern Ireland which all have Grand Committees.

Format of committee

The committee follows the same procedure used in European Standing Committees and Grand Committees:

- a short statement followed by a question and answer session involving a Minister from the relevant department (this is for one hour), followed by
- a time-limited debate (no longer than two hours) with no questions being put and a closing statement by the Minister present.

Membership of Committee

Candy Atherton (Lab – Falmouth and Cambourne); Henry Bellingham (Con – North West Norfolk); Karen Buck (Lab – Regent's Park and Kensington North); Louise Ellman (Lab – Liverpool Riverside); Nigel Evans (Con- Ribble Valley); Andrew George (Lib Dem – St Ives); Norman Lamb (Lib Dem – North Norfolk); John Mann (Lab – Bassetlaw); Denis Murphy (Lab – Wansbeck); Ian Pearson (Lab – Dudley South); Lawrie Quinn (Lab – Scarborough & Whitby); Anthony Steen (Con – Totnes); Derek Wyatt (Lab – Sittingbourne & Sheppey).

The Chair of the Committee is selected from the Chair's panel and changes from meeting to meeting.

Annex B

To ask the Secretary of State for Transport, Local Government and the Regions, if he will table a motion under Standing Order No.117(6) to refer (a) the progress made by regional development agencies in fulfilling their objects, (b) the role of regional chambers in scrutinising RDAs, (c) the contribution made by RDAs in addressing strategic transport issues, (d) the progression made with economic regeneration of EU Objective 1 regions, (e) the issues and concerns raised about the forthcoming Regional White Paper and (f) other matters, to the Standing Committee on Regional Affairs.

FILE

Department for Culture, Media and Sport
The Rt Hon Tessa Jowell MP
Secretary of State

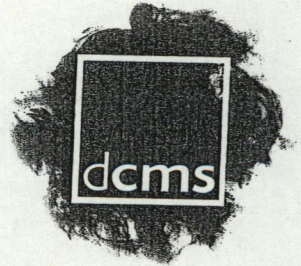
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C01/09815/DC

The Rt Hon John Prescott MP
Deputy Prime Minister and First Secretary of State
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

14 February 2002



Dear Deputy Prime Minister.

AMC

St John's

COMMITTEE ON THE NATIONS AND REGIONS: 14 FEBRUARY 2002

Unfortunately I am unable to attend the next meeting of the Committee on Nations and Regions (CNR) later this week. I am therefore taking this opportunity to set out my thoughts on the various items scheduled for discussion at the meeting.

The paper on regions without elected assemblies assumes that CNR will not want to significantly disturb existing regional and sub-regional structures. I would support this stance, but if we are serious about securing improvements to regional co-ordination and regional capacity, I believe that we should be strengthening the Government Offices (GOs) network and encouraging links between regional strategies. This would be in line with the initial findings of my Department's review of the role and purpose of Regional Cultural Consortia.

Having considered the four models outlined in the paper on referendums and local government structure reviews, my preference would be to pursue an option which provided maximum transparency in the referendum process. We should not introduce rigid limitations, but people do need to know what the likelihood there is of their region having a referendum.

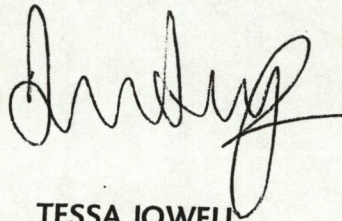
Turning to the paper on electoral systems for regional assemblies, I note that the Additional Member System (AMS) appears to be the most appropriate system of Proportional Representation for elections to regional assemblies. I would be content to adopt this approach on the grounds that it is consistent with the system used for London, Scotland and Wales, and would be effective in delivering proportional results and promoting the prospects of key minority candidates.



INVESTOR IN PEOPLE

There would be obvious benefits in seeking to maximise the delivery of proportional results under AMS using the higher lever "top up" provision. On the question of size of assembly constituencies, I would again be inclined to follow the precedent set by Scotland, Wales and the GLA and use local authority boundaries rather than Parliamentary boundaries. I see some merit in adopting a threshold to prevent parties with a very small share of the vote gaining a seat, but have no strong views on this issue.

Yours,



TESSA JOWELL
(Approved by the Secretary of State
and signed in her absence)

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*Yes. I believe
we may be able to
wash it also of
money in a
simplified way.*

PRIME MINISTER

From: Mike Emmerich
Date: 8 February 2002

cc: Jeremy Heywood
Andrew Adonis
Natalie Acton

REVIEW OF ACCESS TO REGENERATION FUNDING

Last year you commissioned a report from the Regional Coordination Unit on how access to regeneration funding could be simplified for voluntary sector groups. The interim report has now arrived. In many ways it is a disappointment. It makes a number of fairly obvious suggestions - more information about funding sources, producing a package of guidance for funders, reducing the number of funding streams - and makes the point that these have all been suggested and tried before. The Neighbourhood Renewal Unit is looking at some more promising ideas following your meeting with them in December. I suggest that we should invite NRU and RCU to compare notes and discuss them with HMT and to report back to you with some more ambitious proposals to be taken forward in the spending review.

Do you agree? Some more detailed questions are set out below.

Detail

This is not a wholly bad report. It makes some sensible suggestions - that of a lead funder to monitor on behalf of all funders is good, though report doesn't spell out how agreement might be reached on that if, for example, one funder was from local government, one from a quango, and one from a central department, all with different accounting systems and different auditors. Nor does it consider whether the funder that took on these responsibilities might want paid for them.

Another sensible idea is that of simplified guidance in the Government Accounting Manual. That said the report alleges that Treasury accounting requirements are not the cause of the problem, so it looks as if the report hasn't really got to the heart of the question 'why do all these differences, and complicated practices, exist?' Could

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it be that each separate funder makes its grant procedures consistent with its own INTERNAL requirements?

That question underlines the weakness of the central recommendation - the small team of Whitehall progress chasers. NRU experience has shown how labour intensive it is to make an impact on the behaviour of individual departments, and this is especially difficult if the issue is not a priority for Ministers in that Department (and this is hardly likely to be at the top of their agenda), and if it touches on their financial systems and Accounting Officer responsibilities. It is hard to see how a small team could have the authority and impact needed - given the financial issues it would certainly have to be in the Treasury.

Do you wish to rule out now the establishment of another central unit?

*No. it
maybe right & at least it wd provide info.*

The report is rather equivocal about simplifying funding streams, and makes the point that many voluntary organisations like having multiple funding sources, because if they don't get their grant from one they can recast the project slightly and try someone else. But that is not necessarily the best solution from the standpoint of vfm from the public purse. Nor, frankly, does it seem to be a credible reflection of most voluntary sector attitudes

Over the last twenty years there have been three attempts to pull all regeneration funding into a single cross-departmental pot: the Urban Programme, the SRB, and the NRF. Neither UP nor SRB stemmed for long the tendency of Departments to create their own new targeted funding streams, and it would be optimistic to think that either the review of ABIs (Departments simply create thematic rather than area-based funding streams) or the NRF and subsequent mainstreaming plans will completely put an end to this tendency.

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It is a pity, therefore, that the review does not consider more radical solutions. For example, it might be possible to consider a regime under which all funding streams which involved grant giving to voluntary and community groups at local level, no matter which body was approving them, were paid out through a single grant giving body under a single regime. Under the old urban Programme, all the central government grants were paid through the local authority, which had to contribute 25%, and so local groups were subject to the LA's monitoring procedures both for its own grants and for the Urban Programme grants. Nowadays, with GOs working to as many as 8 central departments, it might be possible to conceive of a system where a single GO payment and monitoring regime applied to all grants, and Depts had to channel payment through that.

Do you think it is worth looking into boosting the role of GOs in streamlining access to regeneration funding?

I don't know. But we must find a mechanism for bringing a sense to this. It's a real problem.

Mike Emmerich

MIKE EMMERICH



Deputy Prime Minister

Top: PD(ME)
~~SPD(NA)~~
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PRIME MINISTER

REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT

Last May you asked the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. I enclose the interim findings, which will be fed into the Spending Review Cross-Cutter on the voluntary sector, before a final report is produced in the early Spring.

Following much work by Barbara Roche, with officials from across Government and representatives from the voluntary sector, the RCU has produced an interim report which sets out recommendations for change to make funding easier to access by voluntary and community groups. The focus is on realistic and practical changes that will make a meaningful difference to the many thousands of voluntary and other organisations that deliver regeneration projects in their communities.

The interim report proposes improvements in the way information on funding is provided; greater simplification and harmonisation of funding arrangements to reduce bureaucracy; and greater use of Information Communication Technology to facilitate and speed up access to funds. The overall impact will be to ensure that funds are more easily secured and used effectively.

At our meeting on 22 December, when we discussed Neighbourhood Renewal, we considered the scope for further work on the complex maze of funding streams. This is being partly addressed through the RCU review of Area Based Initiatives, which is focusing on improving delivery on the ground through a variety of measures including pooling budgets at the local level. There will be links between the ABI review, the Regeneration Funding Study and the work DTLR is leading to reduce the number of local plans and partnerships.

To ensure effective implementation, these findings now need to dovetail with the work of the Spending Review Cross-Cutter on the voluntary sector. The agreed recommendations from both studies, and particularly their resource implications, can then be taken forward as part of the main SR2002 process. Subject to that, it is proposed that a team be set up at the heart of Government to drive the changes through

Key Problems

Early on, the team took the view that there was little mileage in simply producing another set of principles defining how funders should conduct themselves in relation to those that they fund. While worthy, this has been done before, and little has actually changed on the ground.

Exhortation does not work and so the complaints remain: application processes are over-complicated; monitoring arrangements are burdensome; each funder differs in the records they want kept and so on. The RCU looked at the situation from the point of view of those seeking funding, and sought to establish what would really make a difference to those on the ground - practical measures that would encourage those with good ideas to seek funding. Representatives from the target sector and from funders were involved throughout to ensure that the problems were correctly identified and the solutions workable and welcome.

Recommendations

The main recommendations are described in Annex A, and are summarised below:

- Improve access to information
- Improve application procedures
- Improve Terms & Conditions of funding so as to allow for easier use of funds through
- Better use of Information Technology

The study team is also reviewing the Government Accounting Manual with a view to further discussions with the Treasury about reform of accounting rules.

Response from the Voluntary & Community Sector

The team is confident that the report's recommendations reflect the concerns of the sector, which has been involved through interviews, consultation exercises, written exchanges and their participation in the various reference and working groups set up by the team to consider particular issues. They also took into account the findings of two related consultation exercises conducted by DfES and the Home Office. Barbara Roche has also recently met a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Making it Happen

The RCU team was particularly struck by the fact that many of these areas have been covered by previous studies and reports, and in many cases similar solutions were proposed. The Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998) is one example. However, little change subsequently occurred on the ground. This is understandable, as funders will usually resist change because they will have invested resource in their current systems. We cannot therefore rely on funders themselves to implement proposed changes unaided. Properly planned implementation is key.

To this end, the central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes we propose. The team would have a limited life span (2-3 years), disbanding when its objectives had been achieved. It will need to have the power and authority to require that funders make the changes proposed. I believe this is critical to the success of the project and therefore the effective involvement of voluntary organisations in regeneration programmes - and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.

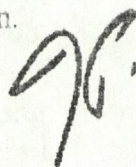
Update and Next Steps

A start has already been made in some of the areas covered by the report. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model. The Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. The production of Guidance to Funders - including simplified guidance to Treasury rules - is underway.

If you are content with the interim conclusions, I will arrange for them to be presented to members of DA Committee and the Ministerial Group overseeing the cross-cutter. The RCU will then work closely with the cross-cutter team to ensure a joined-up set of conclusions from the two exercises, whose implications, particularly for resources, can be taken forward as part of the main SR2002 process.

A final report of the RCU study will be completed and sent to you early this year. This allows for the first stage of the Cross-cutter to be concluded and comments from colleagues across Government on the interim report to be taken into account.

I am copying this to Sir Richard Wilson.



JOHN PRESCOTT

11 January 2002

ANNEX A

ACCESS TO REGENERATION FUNDING – PRINCIPAL RECOMMENDATIONS

The key practical problems that groups face when trying to access funding for social projects, and the solutions proposed in the report, are as follows:

Information on Funding

Problem: **Information on funding is not always easily available or comprehensible to potential applicants.** Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: **A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding.** Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

Application Processes

Problem: **Application processes are often too long and complex.** People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria are not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM, by wasting the resource of the funded body in complying with them.

Solution: **A new and comprehensive Guidance to Funders package will be developed,** detailing how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will, however, need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" above).

Problem: **Multiple funding streams add to the complexity.** However, many organisations see this as advantage – multiple funding streams improve their chances of securing funding

Solution: **Some funding streams may be merged or ended as part of the Area Based Initiative review** also being undertaken by the RCU. Where multiple streams are channelled through the same intermediary (e.g. local government) then guidance will encourage "pooling" to hide some of the complexity.

Payment Arrangements

Problem: **Payment arrangements are applied inconsistently** and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, **simplified guidance to the Government Accounting Manual**, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

Monitoring and Evaluation arrangements

Problem: **Monitoring and evaluation arrangements are often duplicated**, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every month from one funder or another.

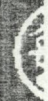
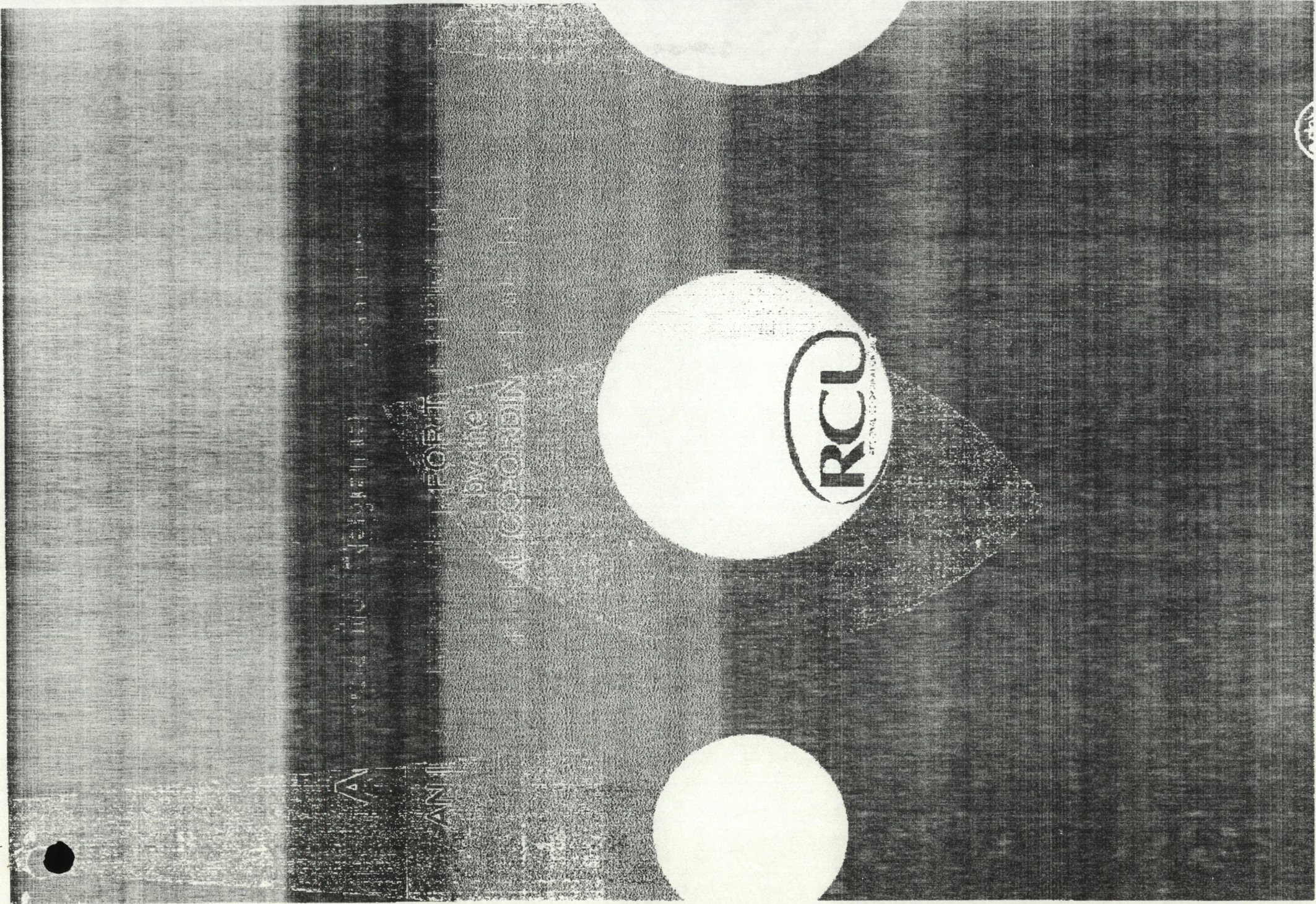
Solution: Introduce proportionality - **arrangements to be geared towards level of risk and level of funding.**

Introduce "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by **greater use of modern technology in administering funds** - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: **Promotion and demonstration of wider use of interactive technology** in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)



INTRODUCTION

- 1 This is an interim report on a study being conducted by the Regional Co-ordination Unit at the request of the Prime Minister. The study explores how to improve access to regeneration funding for voluntary and community groups and small businesses.
- 2 Ease of access to appropriate funding is of vital importance at a time when the effective delivery of public services in general - and regeneration programmes that target the socially excluded in particular - are ever more dependent on thousands of voluntary and community groups, small businesses and social and community enterprises. These organisations all contribute to the development of policy and its implementation. They ensure that there is community involvement through the involvement of hundreds of thousands of volunteers. These are people who work to deliver services, shaping local delivery to meet the needs of their communities.
- 3 The study has aimed to examine problems with accessibility from the point of the view of the recipient of funding, without losing sight of the views of funders, and impact of their approach. To aid in this, the study has had the benefit of participants from a range of Government Departments, the voluntary and community sector, and local authorities.
- 4 The study was initially due to be completed in November 2001. However, it is important to ensure that the recommendations complement those of the current cross cutting review of the role of the voluntary sector as service providers. Consideration is being given to the precise form this "joining up" should take. In the meantime, it has been agreed that the final report should be postponed to January 2002.
- 5 In the interim period, additional work will be taken forward, particularly on Funder Guidance, with the Treasury and the National Audit Office. The final report will be provided by the end of January, and will include full analysis of findings, illustrated by examples. It will also include detailed recommendations with proposals for allocating responsibility for implementation. No commitment has been made to publish the final report, though this may be judged appropriate in the context of the cross cutting review.
- 6 The interim recommendations are summarised in the opening section and highlighted in bold text throughout the report.

SUMMARY

- 7 This interim report identifies some of the main findings of the study and the emerging recommendations. The report reflects both the point of view of the service provider seeking funding and the importance of the three principles that underpin public sector spending – regularity, propriety and value for money.
- 8 The table below summarises key problems and responses.

Problem

Information on funding is not always easily available or comprehensible to potential applicants

Application processes are far too complex. Service providers waste effort developing speculative bids

Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM

Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs.

Both application forms and monitoring arrangements frequently require the repeated provision of the same information to funding agencies

Monitoring and evaluation arrangements are often duplicated, and can be quite heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers.

Absence of core funding

Double funding and double payment

Funding agency officials do not always have necessary expertise to apply funding flexibly and effectively

Emerging Recommendations

A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding, including a central source of electronic information on funding opportunities

New comprehensive guidance to funders on how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. This includes simplified guidance to the Government Accounting Manual

Development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. This would also enable funding information to be targeted at particular service providers.

Introduction of a "lead funder" concept – where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders – the "passporting" of information

Alternatives are proposed

New guidance – on grant terms, and accounting disclosures

Skills development / capacity building for those responsible for developing and implementing funding regimes

- 9 The RCU study team has been particularly struck by the findings that much work has been done by Government in the past on the issues identified above. For example, the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998). This, and other reports, have put forward many good recommendations which have rarely been implemented.
- 10 A central and overarching recommendation from the review therefore, is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes proposed. This is critical to the effective involvement of voluntary organisations community groups and other small, local service providers in regeneration programmes and consequently the successful delivery of government policy on both community involvement and diversity in service provision.

BACKGROUND

- 11 Following criticisms that the system of regeneration and community funding had become complex and difficult to understand, the Prime Minister invited the Deputy Prime Minister to arrange for the Regional Co-ordination Unit (RCU) to lead a study considering how such funds could be made more comprehensible and user-friendly. The RCU was asked to focus on how to help local and community groups, the voluntary sector and small businesses access the available funding.
- 12 The RCU began work in July 2001. A small team of officials was assembled for the study and a reference group was drawn together from across Whitehall, the voluntary and community sector as well as other public sector agencies.
- 13 The RCU was asked to consider:
 - o Regionally based advice points
 - o A user's guide to funding
 - o Interactive websites
 - o Common application forms
 - o A database of information about organisations (removing the need to resubmit information)
 - o Accreditation
 - o Possible changes in funding arrangements
- 14 Following extensive research and interviews, three working groups were set up with cross-sector representation, to consider:
 - (a) **Information and advice about funding** – Co-Chaired by Jane Henderson, Regional Director GOSW and Andrew Muter, Asst. Chief Executive (Regeneration), Nottinghamshire County Council. This group considered proposals for the more systematic and regularised provision of information and advice to potential applicants for funding and the development of the specification for the electronic provision of information and advice.
 - (b) **Funding arrangements** – Chaired by Joe Cavanagh, Director, National Audit Office. This group was asked to examine, and develop recommendations on, the terminology and methods used in: application procedures; terms & conditions; monitoring & evaluation; and auditing processes. It was also asked to examine the role of Quality Systems and possible accreditation arrangements.
 - (c) **E-Business arrangements, technology based aids and solutions** – Chaired by the RCU. This group was asked to consider proposals for the electronic management of funding streams, including arrangements for the submission of electronic applications and administration of subsequent grant/ contract/ service agreements.

- 15 All the groups had cross-sector membership with individuals who all had extensive experience as well as access to considerable expertise within their organisations. Each group undertook their work from the perspective of the organisation seeking funding to deliver regeneration services. Both the NAO and HMT have made significant contributions to the study.

FINDINGS AND EMERGING RECOMMENDATIONS

- 16 Many millions of pounds of regeneration funding are distributed to a wide range of service providers each year. Although there are several thousand voluntary and community groups engaged in delivering regeneration programmes, they do so in co-operation with, and sometimes in competition with, many small businesses, local authorities, FE Colleges and Universities.
- 17 Regeneration funds are linked to a variety of government initiatives, and distribution may involve several intermediaries between central government and the organisation providing a service. These may bring priorities, objectives, funding rules and regulations as well as monitoring and inspection arrangements that may duplicate each other and add onerous bureaucratic burdens on small to medium sized organisations that are often ill-equipped to cope. These arrangements often seem to go beyond measures that are necessary to protect the public purse.
- 18 There are three principles that underpin the use of public sector funds and the study has had due regard for these. These principles are:
 - o regularity
 - o propriety and
 - o value for money
- 19 However, the study was conducted from the point of view of the service provider seeking public funding to enable the provision of services that contribute to the regeneration of disadvantaged neighbourhoods and communities. The report has been structured to reflect their experience.

Funding Information

- 20 Without easy access to information about available funding, many local service providers, particularly smaller and less sophisticated ones, are likely to fail at an early stage. Service providers need timely access to accurate information about funding opportunities.
- 21 Some information and support is available from generalist local / regional support agencies and specialist regional / national agencies. Providers of funding information are also to be found in central Government Departments, at Government Offices, in local authorities, within voluntary sector networks and umbrella bodies (Training and Employment Network, Scarman Trust, BASSAC, Development Trusts Association, Urban Forum, Community Action Network etc), and at local branches of the Council for Voluntary Services. In some cases, such agencies have specialist funding advice workers. They can make a valuable contribution, offering face to face advice and assistance.
- 22 However, provision is fragmented and inconsistent, and it can be difficult, particularly for new organisations, to know where to turn for help.
- 23 The RCU recommends a two-pronged approach, which combines increasing standardisation and electronic retrieval of information, with the mapping and organisation of funding advisers.

Electronic Information

- 24 Most Government Departments and other funding agencies put information about their funding streams on their websites. But the diverse ways in which information is set out on existing websites mean that existing search engines cannot possibly provide comprehensive answers to search requests. One solution to this problem is the setting up of a database that will feed a number of specialist web sites. The Active Community Unit of the Home Office is currently developing a website on grants for voluntary organisations, which is expected to rely on the development of such a database.
- 25 In the longer term, however, the technology allows data to be "tagged" might be applied to information about funding using an agreed, and publicised, range of headings. Coupled with appropriate search facilities, this will assist people in navigating through the mass of funding information, enabling them to locate the appropriate data more easily.
- 26 Access to technology is frequently cited as a potential barrier to voluntary and community sector access / involvement. However, a recent survey by the ACU states that 95% of organisations surveyed have access to technology. The other 5% may well have access through community facilities like libraries but might be unaware of such provision.

Funding advice

- 27 By setting up a framework for funding advice networks, the funding advisers who already exist will be made more accessible to those seeking their help. The framework would also enable the provision of information and training; opportunities to learn from each other; and, in the longer term, help to achieve a standard level of quality in their services.
- 28 A body should be responsible at regional level for ensuring that local support networks are in place and are supplying quality information efficiently. The most appropriate bodies are the Government Offices.

Applying for Funds

- 29 Application Forms are often very complex and require a significant investment in time and resource to complete well. Much time and resource is wasted through speculative or repeat bidding. The risk is that funding goes to those who are expert in completing forms or who can afford consultants to help them, rather than to good quality projects with a track record of successful delivery.
- 30 Unclear guidance and indiscriminate invitations to bid also encourage "goal deflection" where service providers spend increasing effort chasing available funding whether directly relevant to their original mission or not. This can place organisations under considerable stress as they continuously adjust their mission, structure and programme of work to enhance their chances of securing funding.
- 31 **Guidance for funders will be developed. This will cover:**
- o a simplified guide to the government accounting manual
 - o advice on the guidance that should be offered to applicants and other good practice
 - o standardised terminology and information categories
 - o A two stage application process (wherever possible) – a short outline bid then a detailed bid if the outline bid is successful
 - o A sample standardised application form with a common "front end" to application forms which can be reused.
 - o Common definitions and terminology to be used by funders – for example in Terms and Conditions, Budget Headings etc.
 - o Best practice in monitoring & evaluation and audit arrangements, including "passporting" and risk assessment (see below).
- 32 The RCU was asked to consider the development of an accreditation programme. Consideration has been given to the development of accreditation that would take into account the enormous differences in size and type of organisation engaged in delivering regeneration initiatives. Various quality assurance programmes were considered to identify features that could be mapped across to a single accreditation programme.
- 33 There are considerable difficulties with accreditation. It is considered to be well nigh impossible to ensure that all public sector funding agencies work to the same accreditation programme. Prioritising accreditation by a single body would not necessarily ease the already burdensome regulatory environment faced by service providers, many of whom are subject to charity law and company law as well as the requirements of multiple funding agencies which may in turn insist on different accreditation programmes (disguised accreditation programmes exist in the shape of criteria for determining access to approved lists of bidders). An official accreditation programme set up by central government could well provoke a backlash from voluntary sector organisations fiercely protective of their independence from Government and already concerned about the loss of independence.

- 34 **It is therefore recommended that rather than a general accreditation programme, organisations are encouraged to demonstrate that they have "good corporate governance".** The RCU is exploring whether a framework could be developed and recommended to both funding agencies and service providers. Service providers would be free within such a framework to determine which quality assurance standard best met their own needs and circumstances. Consideration should be given by funding agencies to including a good corporate governance framework as part of funding agreements in place of more detailed requirements intended to ensure quality.
- 35 **Instead of accreditation, an electronic registry should be put in place to ease the burden on service providers seeking to make funding applications and to enable the "passporting" of information between funding agencies.** Such a registry will facilitate:
- The sharing of common information required by funding agencies e.g. audited accounts, constitution / memorandum and articles of association etc. This will allow one funding agency to undertake an inspection and have its findings made available to, and relied upon, by other funding agencies.
 - The distribution of information about funding (and other matters) to organisations selected by theme and / or geography.
 - Replacement of existing databases of service providers used by public and other agencies for contact purposes.
- 36 The registry will record basic organisational data (providers themselves will be responsible for providing up to date information) and also information which is requested repeatedly by funding agencies such as constitutions, audited accounts, etc, which could then be accessed directly by funders. The database would have the facility for "hidden fields" so that access to sensitive information could be restricted to selected bodies only (as well as the service provider).
- 37 **Each funding agency should, as part of their work to address the government's e-business targets for 2005, develop e-business arrangements** which will enable electronic application forms be supplied, completed and returned as well as the subsequent electronic administration of funding agreements. The RCU will seek to develop arrangements for the administration of Community Chest funds as a demonstration model.

Priorities for Funding

- 38 Good management of funding arrangements is resource intensive and best results are achieved when funding agencies work with applicants before they fill in an application form (this is particularly pertinent given that applicants most in need of funding may find application forms particularly difficult). Guidance to applicants accompanying application forms should also make clear what sort of project / organisation is most likely to be successful. Such guidance should include a clear indication

Access to Regeneration Funding

of the priorities of the funding agency. However, this gives rise to a further problem.

- 39 The fragmentation, duplication and general lack of strategic co-ordination that has befallen many neighbourhoods coping with multiple deprivation, multiple partnerships and multiple Area Based Initiatives, has led to concerns about the potential for conflicting priorities to shape regeneration funding allocations. Local Strategic Partnerships (LSPs) have been set up to determine strategic priorities for their area, and within that they will have to work out how different funding streams can be made to work better together. However, service providers still find themselves having to respond to priorities determined by their LSP, their own users, the regional priorities for European structural funds and funding agencies like local regeneration partnerships, the local Employment Service and the local Learning and Skills Council (LLSC).
- 40 DfES has put in place co-financing arrangements whereby some European Social Funds are channelled through LLSCs which provide the match-funding required. This is welcomed by many local service providers, especially voluntary and community groups that have had to invest significant effort into securing match-funding. However, there are concerns that these arrangements might skew the allocations by the LLSCs in favour of their own priorities rather than a balanced set of priorities including those of the LSP. **It is therefore recommended that co-financing arrangements are reviewed by DfES** to ensure that the multiple sets of priorities are, wherever possible, complementary and fit the overall strategic direction determined by the LSP.

Funding Terms & Conditions

- 41 The Government Accounting (GA) manual is a lengthy document giving guidance on how to manage and account for public funds. Departments use it as they develop funding regimes. Government Accounting leaves the onus for the appropriate application of the rules on Departments, given their accountability for the public money they allocate. It is therefore up to Departments to interpret the rules as they see fit. The study concludes that this may result in Departments taking an overly cautious approach to the application of the GA rules, and this gives rise to some of the difficulties identified in the design and applications of the funding programmes.
- 42 There are four types of funding agreement:
- o Grant in aid
 - o Grants
 - o Contracts
 - o Service level agreements
- 43 There is some inconsistency in the way in which the first of these three forms of legal agreement are used. (Service level agreements are inappropriate for agreements between two separate legal entities). It would therefore be helpful for Departments to have clearer guidance about which type of funding agreement was appropriate for different situations.

- 44 There are many hundreds, if not thousands of agencies engaged in distributing regeneration funds. These include Government Offices, Regional Development Agencies, Local Authorities, Regeneration Partnerships, Employment Service Regional Offices, LLSCs, New Deal for Communities agencies, and many others. Each is required to work to rules and regulations imposed by agencies further up the funding chain. Those agencies that do determine the terms and conditions do so within the broad guidelines set in Government Accounting.
- 45 At the point at which funds finally reach a local service provider, there is often significant variation in the terms and conditions required by different funders for different grant schemes. This can be exacerbated by the fact that many service providers have multiple income streams, to reduce risk from over-dependence on any one agency / funding stream and to achieve the synergies in regeneration that are sometimes a condition imposed by funding agencies (match-funding requirements for example).

Guidance

- 46 As a contribution to this study, HM Treasury working closely with the National Audit Office, has begun work on simplified guidance to the Government Accounting manual. Not only will this aid understanding of what should be done and in what circumstances, it will also help to identify more clearly the rules which, in their application, undermine the efficient and effective use of public funding. HMT has agreed to review such rules once identified to see if any flexibility would be possible. The RCU review team, working with HMT and NAO, is taking this work forward.
- 47 Guidance to funders should highlight the scope for flexibility as an aid to funders and grant recipients. The guidance should include:
- Good practice on monitoring and/or measuring the success of a project (for instance the use of measurable outcomes rather than outputs that focus on process);
 - A requirement for an agreement on what data will be needed for monitoring purposes with applicants before projects are started;
 - Recommendations on the frequency for updating terms and conditions, and on who should be consulted as part of this process (e.g. recipients of funding, auditors, evaluators);
 - The inclusion of a right of access for the external auditors of the funding body, in a manner consistent with the Government's response to the Sharman Review of Audit and Accountability for Central Government;
 - Advice on the flexibilities in the requirements for match funding;
 - Agreement on shared terms and conditions with other funders where projects or activities are funded by more than one funding stream. This would be facilitated by guidance on the use of standard definitions, and standard budget headings;

- o Measures to protect against double funding. These could include, as appropriate: proper separation of project accounts within the grant recipient's annual accounts, recording expenditure and funding for each project; a note to the grant recipient's annual accounts, detailing project expenditure and funding by source (which would then fall to be audited); and clarity on what double funding constitutes and a blanket statement to the effect that double funding is fraudulent and may well lead to prosecution as well as the termination of funding agreements.
- 48 Once completed, the guidance will enable new programmes to be designed with a full appreciation of the requirements that must be met, the flexibilities that are allowed and best practice. The guidance will recommend that funding agencies adopt arrangements that are proportionate to the size of organisation and to the amount of funding and adopt a "light touch" to contract / grant administration based on an informed assessment of risk. Auditors should also apply these principles.

Payment In Arrears

- 49 Payment in arrears, payment in advance of expenditure and payment in advance of need are three terms widely used and, it would seem, widely misunderstood, with sometimes devastating consequences for the cashflow of small to medium service providers. Many organisations have reported that much regeneration funding has been paid in arrears, for outputs after they have been achieved. This leads to organisations having to finance service delivery often at a high cost. Such financing costs are greater than those that would be incurred by the Treasury and therefore reduce the overall efficiency and effectiveness in the use of public funds.
- 50 Accounting rules allow for payment to be made at the point at which need arises. This always coincides with the commencement of service delivery and so payment in arrears need not happen. Profile payments now being introduced by DfES and DWP go part way towards addressing this but still leave problems where there is a call-down contract and volumes are consequently uncertain.
- 51 **It is recommended that contracts be accompanied by a retainer payment.** This is common practice in the private sector and ensures that capacity to deliver is "retained" by the service provider. This is just one of the several options that it is recommended should be considered by funding agencies as a response to requests for core-funding which is repeatedly raised by voluntary and community groups as critical to their future viability.

Core Funding

- 52 This is a complex issue and it is not clear that providing core funding is always necessary or appropriate. What exactly constitutes core funding is unclear as is which category of organisations should receive such funding. As much regeneration service provision is undertaken by organisations from various sectors (including private, profit making companies), it is difficult to establish a clear proposal capable of being implemented. However, some service providers, for example FE

colleges, Universities and Local Authorities all have access to funding for capital, overheads and other items which collectively make for an "uneven playing field".

- 53 Nonetheless, **most service providers should be able to roll their core costs into unit costs for outputs ("full cost recovery")**. This depends however on funding agencies allowing full project funding – in which all reasonable associated costs are met as part of the agreement.
- 54 Other measures which could reduce the demand for core funding include:
- Allowing the retention of surpluses – "if the private sector is allowed to, why not voluntary organisations?" as one official described it
 - Research & Development / Innovation funds should be made available to enable the development of new services and / or new organisations.
- 55 In addition to the alternative approaches to core funding identified above, **the study found considerable support for the development of an investment approach to funding** with contract managers acting as investment managers where they work to develop:
- New services – where necessary
 - New organisations (service providers) – where there is a gap
 - Sustainability for local service providers regarded by their RDA as being of strategic importance to regeneration.

Discussions with the Treasury are continuing to explore whether such funding methods would be possible within Government Accounting rules.

Monitoring / Inspections

- 56 Service providers in receipt of public sector funding are likely to be subject to ongoing monitoring, and periodic review and evaluation, by funders. In addition they may also be subject to inspection or review by internal and external auditors of the funding body. These inspection and review activities are likely to be geared towards obtaining assurance about regularity, propriety and VFM. This focus, and the need for such activities, do not stem only from Government Accounting but from good management.
- 57 But this still leaves plenty of room for funders' discretion as to how this is achieved. This can result in heavy-handed regimes, which may, in their application, have consequences that are not always understood by funding agencies. It was also suggested to the study team that some of those responsible for designing and developing funding arrangements may make generalised assumptions about risk based on institutional form and / or size of organisation.
- 58 There is little evidence that existing arrangements help either prevent or detect double-counting / double-funding of outputs. Some funding agencies are reported to find the costs of contract management so excessive that they cannot implement fully the arrangements in place.
- 59 Each accounting officer is required to put in place arrangements to ensure that the requirements described above are fulfilled. This inevitably leads to significant duplication, especially where service providers take advantage of multiple funding streams from different public sector agencies.

Lead agency

- 60 **Detailed arrangements should be put in place to enable the concept of a lead funder and common inspection framework.** The lead agency should undertake monitoring and inspection visits on behalf of other funders to reduce the administrative burden on both funding agencies and funding recipients.
- 61 These arrangements should include:
- A clear indication of what service providers can expect in the monitoring of their projects, including the use of common monitoring returns for related projects, where appropriate.
 - Protocols (developed by HMT, funding bodies and external auditors) to guide the way in which auditors' access rights will be exercised to minimise the burden of inspections.
 - Advice to the effect that funding bodies should not be dissuaded from developing risk-based and innovative ways to design and administer funding regimes by the perceived threat of audit criticism. (They should note that the NAO supports well-managed risk taking which benefits the taxpayer).
- 62 DfES has already begun work on a common inspection framework as part of an initiative to improve arrangements with service providers called "Getting The Best From Each Other"

- 63 The "passporting" arrangements described above should be extended to include the concept of a single lead programme auditor. We are aware that initiatives have been undertaken in the past whereby an inspection by one funding body has been accepted, at least in part, by another body, obviating a need for a further visit by that body. This has been called the "Single Lead Auditor" approach. There may be resistance from Government Departments to this approach as they may feel that without personally inspecting the use to which their funds are put, there is a greater risk that their Accounting Officer will be exposed. However, we have consulted with National Audit Office and are aware that they are not averse in principle to this approach being taken. Consultation is taking place with the Treasury about whether this requires a change in the rules to allow one Accounting Officer accept arrangements put in place by other Accounting Officers where the issues addressed are common to both.
- 64 **Given the role of Regional Development Agencies in regeneration and their greater proximity to local service providers (than central government departments), it is recommended that wherever possible, they take the lead funding agency role and be resourced to do so.**

Implementation

- 65 Much of the ground covered by this study has been covered to some extent by previous reports and initiatives. Examples include the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector, the Compact between Government and the voluntary sector and its associated codes of practice and others.
- 66 There is a similar risk that the work undertaken as a consequence of this study to provide better guidance to the requirements of the Government Accounting manual, and guidance to funders on how to simplify and harmonise their arrangements might not have the intended impact. It is important to regain the trust and confidence of service providers, who seem to believe that Government neither understands nor cares about the consequences of past failures. We believe this is because Departments are reluctant to change established procedures (which can be expensive and time-consuming) and there has been no dedicated body with the responsibility and power to drive through the recommended change.
- 67 **It is therefore recommended that a dedicated team be set up for an initial two year period to:**
- Assist government departments and other principal public sector funding agencies to design new funding programmes and review existing arrangements
 - Offer advice on risk management and proportionality
 - Undertake post-implementation evaluation to identify any barriers to success, steps to be taken to deal with these.
- 68 The Implementation Unit should have one or two permanent officials drawn from the National Audit Office/ Office of Government Commerce / HM Treasury accounting team supplemented by an official from each department being assisted in turn.



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REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT

Background and Summary

1. In spring this year the Prime Minister wrote to your office asking the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. The Prime Minister was aware of criticisms from voluntary and community groups that the present system was complex and difficult to access, and that as a result valuable social activity could be delayed or abandoned. You commissioned the study from the RCU.
2. The RCU has been working with representatives from the Voluntary and Community Sector, and with officials from across Government, over the last few months to develop recommendations for change in the way funding is organised and accessed. The team has kept me informed of progress throughout and I have taken a close interest in the emerging findings and conclusions. A tremendous amount of work has been done, and there are some strong recommendations which have the potential to achieve real improvements.
3. I have been particularly struck by the fact that many of the issues considered have been covered by previous reports, for example the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998). However, little change has subsequently occurred on the ground. I am therefore acutely aware that the key to wider and genuine change among Government funders will be the implementation arrangements.
4. Thus a central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the proposed *Guidance to Funders* and the other changes we propose. I believe this is critical to the effective involvement of voluntary organisations in regeneration programmes and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.

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INVESTOR IN PEOPLE

5. The team's interim report is attached at Annex A. I recently held a meeting with a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Key Problems and Recommendations

6. I set out below a summary of what the team believes are the key practical problems that groups face when trying to access funding for social projects, followed by the solutions proposed in the report.

(i) Information on Funding

Problem: Information on funding is not always easily available or comprehensible to potential applicants. Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding. Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

(ii) Application Processes

Problem: Application processes are often too long and complex. People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria were not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM by wasting the resource of the funded body in complying with them.

Solution: A new and comprehensive Guidance to Funders package will be developed, detailing how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will however need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" below).

(iii) Payment Arrangements

Problem: Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, simplified guidance to the Government Accounting Manual, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

(iv) Monitoring and Evaluation arrangements

Problem: Monitoring and evaluation arrangements are often duplicated, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every week from one funder or another.

Solution: Introduction of a "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

(v) Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by greater use of modern technology in administering funds - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: Promotion and demonstration of wider use of interactive technology in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)

Next Steps

7. Some of these recommendations are already being taken forward. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model, and the Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. The RCU has made a start on the Guidance to Funders.

8. The study timetable has been adjusted so that the recommendations can be considered alongside the SR2002 cross-cutting review which is considering the role of the voluntary sector as service providers. The cross-cutting review aims to report early in the New Year. The RCU will work closely with the cross-cutting team to ensure a joined-up set of conclusions from the two exercises, and so that the recommendations from both studies, particularly their resource implications, can be taken forward through the SR2002 process. This will further help to ensure the implementation of the

proposals. I have agreed this revised approach with Mavis McDonald, who is leading the SR2002 review at official level.

9. If you are content, I propose that you should send the interim report to the Prime Minister, along with a letter giving a summary of the findings and outlining the revised reporting arrangements. I attach a draft letter at Annex B.

Yasere
Bibae

BR

10 December 2001

Turner Christian - Barbara Roche's Office -

From: Turner Christian - Barbara Roche's Office - on behalf of PS Barbara Roche
Sent: 10 December 2001 18:48
To: 'Andrew DICK'
Cc: MODU, Amobi - RCU -; McDonald Mavis - Perm Sec -; PS DPM; Morys Simon - PIU -; JOe.montgomery@dtlr.gsi.gov.uk; WELLS, Andrew - RCU -; SMITH, Rob - RCU -; Ann.taggart@hm-treasury.gsi.gov.uk; Helene.radcliffe@hm-treasury.gsi.gov.uk; LUCy.degroot@hm-treasury.gsi.gov.uk; Martin.wheatley@hm-treasury.gsi.gov.uk; Mike.Emmerich@hm-treasury.gsi.gov.uk; nacton@no10.x.gsi.gov.uk; Lincoln Deborah; Livesey Mark - Baroness Morgans Office -
Subject: RE: RCU Review of Funding: New Draft Letters Accompanying Interim Report



DPM - Regeneration
Funding Sta...

Andrew / Amobi

Thanks. BR has sent a slightly amended version of the minute to the DPM, along with amended version of the letter from DPM to PM, as attached. Hard copy follows to you only.

Christian

-----Original Message-----

From: Andrew DICK (mailto:ANDREWDICK.RCU@go-regions.gsi.gov.uk)
Sent: 10 December 2001 16:24
To: Mavis.mcdonald@cabinet-office.x.gsi.gov.uk;
PSdpm@cabinet-office.x.gsi.gov.uk;
Simon.Morys@cabinet-office.x.gsi.gov.uk; JOe.montgomery@dtlr.gsi.gov.uk;
Andrew.WELLS; Rob.SMITH; Ann.taggart@hm-treasury.gsi.gov.uk;
Helene.radcliffe@hm-treasury.gsi.gov.uk;
LUCy.degroot@hm-treasury.gsi.gov.uk;
Martin.wheatley@hm-treasury.gsi.gov.uk;
Mike.Emmerich@hm-treasury.gsi.gov.uk; nacton@no10.x.gsi.gov.uk
Cc: Christian.Turner@cabinet-office.x.gsi.gov.uk; Amobi MODU
Subject: RCU Review of Funding: New Draft Letters Accompanying Interim Report

Attached please find the submission that went to PS/Barbara Roche on Friday, along with 2 new draft letters (from Barbara Roche to DPM, and from DPM to PM), replacing those submitted with the Interim Report on the RCU Review of Funding on 20 November. The submission explains the reason for the redrafts.

There are no changes to the Interim Report itself, which remains as in the version submitted on 20 November.

Andrew Dick
020 7217 3324

Annex B**DRAFT MINUTE FROM DPM TO PRIME MINISTER****REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT****Summary**

In May this year you wrote asking the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. I am attaching the interim findings, which will be fed into the Spending Review Cross-Cutter on the voluntary sector, before a final report is produced in the early Spring.

Following much work officials from across Government, representatives from the voluntary sector, and Barbara Roche, the RCU has produced an interim report (attached) summarising its findings. It sets out recommendations for change to make funding easier to access by voluntary and community groups. The focus is on realistic, practical, changes that will make a meaningful difference to the many thousands of voluntary and other organisations that deliver regeneration projects in their communities.

It proposes improvements in the way information on funding is provided; greater simplification and harmonisation of funding arrangements to reduce bureaucracy; and greater use of ICT to facilitate and speed up access to funds. The overall impact will be to ensure that funds are more easily secured and used effectively.

At our meeting on 22nd December when we discussed Neighbourhood Renewal, we considered the scope for further work on the complex maze of funding streams. This is being partly addressed through the RCU review of Area Based Initiatives, which is focusing on improving delivery on the ground through a variety of measures including pooling budgets at the local level. There will be links between the ABI review, the Regeneration Funding Study and the work DTLR is leading to reduce the number of local plans and partnerships.

To ensure effective implementation, these findings now need to dovetail with the work of the Spending Review Cross-Cutter on the voluntary sector. The agreed recommendations from both studies, and particularly their resource implications, can then be taken forward as part of the main SR2002 process. Subject to that, it is proposed that a team is set up at the heart of Government to drive the changes through.

Background

There has been widespread criticism from voluntary and community groups (and others) that the present system of funding is complex and difficult to access. As a result valuable social and regenerative activity may be delayed or abandoned. You

commissioned the RCU study to address these problems. The RCU has conducted almost 100 interviews and meetings, and worked with representatives from the Voluntary and Community Sector, and with officials from across Government, to develop recommendations for change in the way funding is organised and accessed.

Key Problems and Recommendations

Early on, the team took the view that there was little mileage in simply producing another set of principles defining how funders should conduct themselves in relation to those that they fund. While worthy, this has been done before, and little has actually changed on the ground. The complaints remain: application processes are over-complicated; monitoring arrangements are burdensome; each funder differs in the records they want kept. The team wanted to look at the situation from the point of view of those seeking funding, and establish what would really make a difference to those on the ground - practical measures that would encourage those with good ideas to seek funding. Representatives from the target sector and from funders were involved throughout to ensure that the problems were correctly identified and the solutions workable and welcome.

That said, the difficulties in making change in this area should not be underestimated. Funders will in reality usually resist change. This is understandable: they will have invested resource in their current systems and will need incentive to undergo the disruption that changing them will entail. Implementation will therefore be key. The key practical problems that groups face when trying to access funding for social projects, and the solutions proposed in the report are as follows:

(i) Information on Funding

Problem: Information on funding is not always easily available or comprehensible to potential applicants. Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding. Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

(ii) Application Processes

Problem: Application processes are often too long and complex. People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria were not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM by wasting the resource of the funded body in complying with them.

Solution: A new and comprehensive Guidance to Funders package will be developed, detailing how to set up (or adapt existing) funding streams to ensure

maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will however need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" below).

(iii) Payment Arrangements

Problem: Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, simplified guidance to the Government Accounting Manual, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

(iv) Monitoring and Evaluation arrangements

Problem: Monitoring and evaluation arrangements are often duplicated, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every week from one funder or another.

Solution: Introduction of a "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

(v) Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by greater use of modern technology in administering funds - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: Promotion and demonstration of wider use of interactive technology in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)

Making it Happen

The RCU team was particularly struck by the fact that many of these areas have been covered by previous studies and reports, and in many cases similar solutions were proposed. The Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998), for example, covered some of this territory. However, little change subsequently occurred on the ground. We cannot rely on funders themselves to implement proposed changes unaided. Most will be unwilling to change established practices and systems - this is why previous similar proposals have failed at the action stage. Properly planned implementation is key.

To this end, the central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes we propose. The team would have a limited life span (2-3 years), disbanding when its objectives had been achieved. It will need to have the power and authority to require that funders make the changes proposed. I believe this is critical to the success of the project and therefore the effective involvement of voluntary organisations in regeneration programmes - and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.

Response from the Voluntary & Community Sector

The team is confident that the report's recommendations reflect the concerns of the sector. Throughout the review the team has involved representatives of the target sector, through interviews, consultation exercises, written exchanges, and their participation in the various reference and working groups set up by the team to consider particular issues. They also took into account the findings of two related consultation exercises conducted by DfES and the Home Office. Further, Barbara Roche recently held a meeting with a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Update and Next Steps

A start has already been made in some of the areas covered by the report. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model. The Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. Production of Guidance to Funders - including simplified guidance to Treasury rules - is underway.

The Spending Review Cross-cutter on the Voluntary Sector also provides a timely vehicle for adding impetus to implementation of those RCU recommendations which are in its ambit. The timetable for the RCU study has therefore been adjusted to align with that of the cross-cutter.

I am sending you this interim report so that, if you are content with its conclusions, I can arrange for them to be presented to members of DA and the Ministerial Group overseeing the cross-cutter. The RCU will then work closely with the cross-cutter team to ensure a joined-up set of conclusions from the two exercises, whose implications, particularly for resources, can be taken forward as part of the main SR2002 process.

A final report of the RCU study will be completed and sent to you early in the New Year. This allows for the first stage of the Cross-cutter to be concluded and comments from colleagues across Government on the interim report to be taken into account. I should be grateful if you would indicate whether you are content with the interim report and with the handling arrangements set out above.

I am copying this to members of DA and to Sir Richard Wilson, for their information.



Deputy Prime Minister

RESTRICTED - POLICY

Top: PD(SS)
cc COS
PPS
Dover House PD(AA)
Whitehall, London PD(DH)
SW1A 2AU PD(ME)
Tel: 020 7276 0400 PD(MA)
Fax: 020 7276 0196 PD(AMC)

PRIME MINISTER

HEALTH SCRUTINY POWERS FOR ELECTED REGIONAL ASSEMBLIES

At our bilateral on 24 January we discussed further the case for regional Assemblies having health scrutiny powers. You had expressed concern about the scrutiny role, and I said I would discuss this with Alan Milburn and send you a note.

Having discussed this with Alan, he has modified his proposals slightly: the latest version is attached. He and I of course agree that service delivery is our top priority on health. But:

- The proposed scrutiny role, as it now stands, is for policy, not delivery
- The first Assembly will not be established before 2007 or 2006 at the earliest, by which time we will have solved the delivery problem
- The recent political debate has shown that we should not get dragged into arguments on front line health delivery issues - that strengthens my view that we should not reject a sensible role for a regional body on health policy.

On reflection, therefore, I still think that the scrutiny role would be beneficial in ensuring that health policy in a region is tied into other elements of the Assembly's work and that this would not impart negatively on front-line services as you fear. In particular I would emphasise that assemblies would have no role in relation to hospitals, general practitioners or any other aspects of the direct delivery of healthcare.

I would be happy to discuss.

JOHN PRESCOTT

8 February 2002

SKP 8/2/02

Public Health

The Department of Health envisages that an Assembly should have a strong public health role. **None of the proposals interfere with local health service delivery units or their direct relationship with the Department of Health. The Assembly would have no role in relation to hospitals, general practitioners or any other aspects of the direct delivery of healthcare.**

An Assembly's role would include:

- a duty to promote the health of the population of the region, scrutinising its own policies and strategies to ensure they have a positive impact on public health and the tackling of inequalities, *producing more joined-up and better health outcomes for the region;*
- a duty to support the development and implementation of a health strategy for the region, the responsibility for which will rest with the Department of Health's Regional Director of Public Health, *bringing together partner organisations to identify and implement actions to improve public health and tackle health inequalities;*
- appointing the Regional Director of Public Health as Assembly Health Advisor, to:
 - *strengthen the public health function in the region;*
 - *form a co-ordinated Regional Public Health Group (envisaged in the NHS Plan and "Shifting the Balance of Power") across the Regional Directorate of Health and Social Care, Government Office and Assembly*
 - *ensuring that the Assembly gets proper advice on the role it should be playing in improving health and tackling health inequalities;*
- a scrutiny role for health policies (but not health services) to *bring together, at a level not possible for local organisations, evidence and experience to address problems and drive improvement in health outcomes and the narrowing of inequalities, particularly by raising the profile of issues of concern to the region but not obvious at a local level. Such issues could include black and minority ethnic health, health issues relating to high levels of unemployment or deprivation in the region, and transport-related issues.*

Assembly responsibilities in the field of transport, economic development and housing, have significant linkages with public health. It is important to ensure that all of these functions, including public health, are tackled in a joined-up manner. The above responsibilities would give Assemblies a positive and pro-active role in promoting public health and equity issues across their region, consistent with the NHS reforms, and reinforce the activities of the Government's Director of Public Health in the region. They build on the arrangements in London, where the Mayor and GLA have similar duties which Department of Health believe have worked well. They are designed not to add bureaucracy but to ensure that, in carrying out their other responsibilities, Assemblies do not cut across the work of the Department of Health.

The Rt. Hon. The Lord Williams of Mostyn QC



The Leader of the House of Lords

Am^{EG}
cc: ME
NA

31 January 2002

The Rt Hon John Prescott MP
Deputy Prime Minister
Office of the Deputy Prime Minister
Dover House
Whitehall
London SW1A 2AU

Dear John,

CNR (02) 6 Electoral System for Regional Assemblies

At the meeting of CNR Committee today we did not have time to consider the memorandum on the electoral system by the Minister of State. I am therefore taking this opportunity to comment on some of its contents in advance of the next meeting.

The paper indicates a strong preference for the Additional Member System to be used, citing the precedents of Scotland, Wales and London.

I note that in paragraph 14, it is suggested that some of the first-past-the-post constituencies may be required to elect two or even three members. This would be a significant departure from the precedent and would be likely to add to the disproportionality of the assembly's overall composition. It is also at odds with the argument in paragraph 5 for the superiority of AMS over STV on the grounds of its use of single member constituency representation.

In Annex 1 b), paragraph 3 and the accompanying footnote, the paper asserts an implication in the white paper *The House of Lords: Completing the Reform* in regard to closed regional lists which is not correct. The position is that the government has an open mind both on the type of regional lists that might be used and the elections to which they should be tied.

In Annex 1 d), paragraph 8, it is not correct that under STV by-elections are not available when a member resigns or dies. STV is used for all non-parliamentary elections in Northern Ireland, and there is provision for by-elections, whereby an election is held across a multi-member constituency to fill the vacancy.

I am copying this to the Lord Chancellor, other members of CNR, and to Sir Richard Wilson.

Yours ever,
Smith.

In 000 Inbox
Emailed to all

^{Tue}
RESTRICTED - HONOURS



10 DOWNING STREET
LONDON SW1A 2AA

From the Senior Policy Adviser

29 January 2002

Dear Sarah

**CITY STATUS AND LORD MAYORALTY COMPETITIONS
FOR THE QUEEN'S GOLDEN JUBILEE**

The Prime Minister has seen the Lord Chancellor's letter to Stephen Byers of 21 January.

The Prime Minister is content with the Lord Chancellor's proposals.

I am copying this letter to the Private Secretaries to Stephen Byers, Helen Liddell, Paul Murphy, John Reid and Sir Richard Wilson.

Yours sincerely

MIKE EMMERICH

Sarah Albon
Lord Chancellor's Office

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file (DCO mbox)



10 DOWNING STREET
LONDON SW1A 2AA

From the Senior Policy Adviser

29 January 2002

Dear Bernadette,

The Prime Minister has seen your Secretary of State's letter proposing the appointment of Bryan Gray as Chair of the North West Development Agency. He believes Mr Gray is a well qualified candidate and is happy to agree to his appointment.

Yours sincerely,

[Handwritten signature]

GEOFFREY NORRIS

Bernadette Kelly

From: Mike Emmerich
Date: 25 January 2002

cc Jonathan Powell
Jeremy Heywood
Andrew Adonis

PRIME MINISTER

CITY STATUS COMPETITION

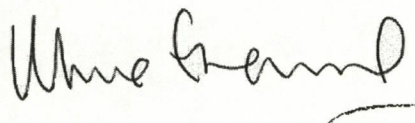
Derry Irvine has written round asking for comments on the proposals for awarding city status to mark the Queen's Golden Jubilee. One new city will be created in England. The same will apply in Wales and Scotland. John Reid proposed that there should be two from Northern Ireland to balance Unionist and Nationalist interests. Buckingham Palace is content with this.

The proposals are that city status should be awarded to:

- Preston in England
- Newport in Wales
- Stirling in Scotland
- Lisburn and Newry in Northern Ireland

Are you content?

Yes



MIKE EMMERICH



Ysgrifennydd Gwladol Cymru
Secretary of State for Wales

Rt Hon Paul Murphy MP

Tel: 020 7270 0549
Ffon: 020 7270 0549

Fax: 020 7270 0568
Ffacs: 020 7270 0568

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Wales Office | Swyddfa Cymru

Office of the Secretary of State for Wales
Gwydyr House
Whitehall
London SW1A 2ER

Swyddfa Ysgrifennydd Gwladol Cymru
Tŷ Gwydir
Whitehall
Llundain SW1A 2ER

Top: PD (SH)

PD (WSP)

PD (AA)

XIXI

Our ref: PO/114

24 January 2002

Dear Jerry

**CITY STATUS AND LORD MAYORALTY COMPETITIONS FOR THE
QUEEN'S GOLDEN JUBILEE**

Thank you for your letters of 21 January.

In terms of the Welsh candidates for city status, I am pleased that you have agreed with my conclusion that Newport's was the strongest application and that you will be recommending it to Her Majesty. So far as the Scottish and English applications are concerned, I am happy to abide by the conclusions you have reached in consultation with Helen Liddell and Stephen Byers.

In relation to Northern Ireland, I appreciate John Reid's difficulty. I am therefore content that both Lisburn and Newry should be submitted to Her Majesty, on the clear understanding that this will not lead to the creation of a second city in any of the other three countries. As you know, I am conscious of the disappointment which will be felt by many in North Wales at the choice of Newport. It follows that if any question arose of more than one city being created in either Scotland or England, I would need to re-visit with you the strong claims of Wrexham.

Turning now to the Lord Mayoralty competition, I do, of course, regret that the one Welsh applicant has not been successful. That having been said, although St Davids has a number of points in its favour, I recognize that, as a city of only eight years standing, it was not well placed to compete with

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SKP 30/1/02



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cont.

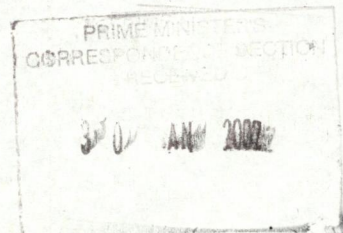
several of the English applicants. On that basis, I am content with your conclusion that the Lord Mayoralty should be awarded to Exeter.

I know that our officials are in discussion about detailed arrangements for releasing the results. However, I can confirm that I am in agreement with the general approach you propose, under which my Department will notify the six Welsh applicants for city status on the day of the announcement. Because of the National Assembly's role in relation to local government in Wales, I will also be taking steps to notify Rhodri Morgan shortly before details are made public.

I am copying this letter to the **Prime Minister**, Helen Liddell, John Reid, Stephen Byers and Sir Richard Wilson.

You see,
Paul

The Rt Hon The Lord Irvine of Lairg
Lord Chancellor
Selborne House
54-60 Victoria Street
London SW1E 6QW



RESTRICTED - HONOURS

From: Alasdair McGowan
Date: 23 January 2002

PRIME MINISTER

Cc: Jeremy Heywood
Alastair Campbell
Sally Morgan
Andrew Adonis
Robert Hill
Geoffrey Norris
Mike Emmerich
Simon Virley
Clare Sumner

REGIONAL GOVERNMENT WHITE PAPER

JP has sent you a further note on the Regional Government White Paper and may raise this with you at your bilateral tomorrow. The key points are as follows:

- JP is now prepared to accept our position on unitary local government – namely, a local government review before any referendum, and a commitment to move to 100% unitaries with no exceptions.
- However, his support is conditional on a second session Referendum Bill and a commitment to a referendum ‘well before the next election’. JP wants a May 2004 referendum both to boost turnout and avoid the risk of it becoming entangled with the run up to the next election.

We should accept JP’s first point – but you should signal to JP that you do not wish to be pinned down at this stage on the precise date of any referendum. There are many factors to consider here – namely the timing of the next election, the timing of any Euro referendum etc. You should also encourage him to talk to Charles Clarke about the timing of any referendum. There is a clear Party interest here.

- In terms of thresholds and triggers for referenda, JP is now proposing only to consider referenda in those regions with predominantly unitary local government – defined as more than 50% of the population living in unitary authority areas. This would restrict the initial field of candidates to the three Northern regions and the West Midlands – but the Secretary of State would still have to consult regional stakeholders to determine whether there was

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- 2 -

demand for a referendum. The southern regions would not even be considered for referenda at this stage. JP is broadly moving in the right direction – but we should ask to see the further work he has promised before signing off on this. You should also underline that we would expect the White Paper to signal clearly that the North East would be the only region to face a referendum.

- Finally, on functions, JP has agreed to weed out the scrutiny function on health services as you had asked.

ALASDAIR McGOWAN

RESTRICTED - POLICY

FROM THE RIGHT HONOURABLE THE LORD IRVINE OF LAIRG



22/1
RESTRICTED - HONOURS

HOUSE OF LORDS,
LONDON SW1A 0PW

ME
NA
CS

The Rt Hon Stephen Byers MP
Secretary of State for Transport, Local Government
and the Regions
Eland House
Bressenden Place
London
SW1E 5DU

21st January, 2002

Dear Steve,

**CITY STATUS AND LORD MAYORALTY COMPETITIONS FOR THE
QUEEN'S GOLDEN JUBILEE**

Thank you for your letter of 30 October, agreeing to my proposals on the interpretation and weighting of the three main factors against which the city status applications should be assessed. You also confirmed, as long ago as 19 July 2001, that you were content with the proposals set out in my letter of 26 June on the assessment of the Lord Mayoralty applications.

Helen Liddell, Paul Murphy and John Reid have written to me with their conclusions on new cities for Scotland, Wales and Northern Ireland and I am copying to you, with this letter, my replies to Helen, Paul and John.

My officials have assessed the applications from towns in England for city status and from cities for Lord Mayoralty in accordance with the scheme set out in previous correspondence. They took into consideration the comments received from your officials on the applicants' qualities and performance in areas relevant to their notability and regional significance and their ability to demonstrate a forward-looking attitude. They submitted scores and a short-list for my consideration, on which my conclusions are as follows.

City status competition: England

I was supplied with the table in the attached Annex, (copied to the Prime Minister and Sir Richard Wilson only), giving the detailed breakdown of the marks of all 26 applicants, together with notes on the highest-scoring applicants. The applicants that came out best in the assessment process were Colchester, Croydon, Greenwich, Medway, Milton Keynes, Preston and Reading.

I was satisfied that the assessment process had been carried out in line with the agreement reached with you and our colleagues, and as objectively as possible, given the time and resources available. We agreed that the marking process should serve as a tool for short-listing, rather than the sole or main determinant of success, and I have taken an overall view as to which choice would best serve the national celebration of the Jubilee.

I noted carefully the weighting categories and the scores of each candidate in each category. Influenced by its regional significance and its discrete identity as a town (on both of which it scored highly), my conclusion is that the award should go to Preston. While the award is deserved on the town's merits, I note also that the Millennium grants of city status went to towns in the South and Midlands, the last grant to a northern town being to Sunderland in 1992. Furthermore, although The Queen will tour widely during Her Jubilee celebrations, London will inevitably be the main focus of the Jubilee celebrations. My decision will therefore chime with city status being awarded to a town some way away from the capital.

Lord Mayoralty competition

The seventeen Lord Mayoralty applications (16 from England, and St David's from Wales) were assessed according to how well they demonstrated the qualities traditionally expected: a character and dignity of their own, and a quasi-metropolitan position within their region or sub-region. The qualities (not previously disclosed) which officials particularly took into account under these two headings were the city's distinctiveness, cohesiveness and regional significance, as conveyed by the application; any particular Royal or historical importance; any special focus on the office of Mayor and on valuing diversity, and the extent of apparent community support.

Applicants had been told that cities which had had that status for less than ten years were unlikely to be successful. I also considered it preferable not to honour again any city which had been granted its city status during the present reign, unless any such applicant had an overwhelming claim (which, after due consideration of all the applications, I did not find to be the case). Using these assessment tools, I concluded that the five cities with the best case for being honoured with the grant of Lord Mayoralty for the Jubilee were Cambridge, Exeter, Lincoln, St Albans and Worcester. On balance, I think that Exeter has advanced a specially persuasive case, and I also have regard to its role as a gateway to the South West and its significance in attracting investment to that region. I have therefore concluded that the grant of Lord Mayoralty should go to Exeter.

Northern Ireland

Because of the tight deadline, I need to use this opportunity to draw to your attention and that of our colleagues certain difficulties that have arisen in the context of Northern Ireland, to give you an opportunity to comment before my final recommendations go to The Queen.

John Reid has been unable to identify a single applicant town that is not strongly associated with either the nationalist or the unionist tradition. Given these unique difficulties in Northern Ireland, at this sensitive time for the peace process, No 10 has

agreed exceptionally that two of the six applicants from Northern Ireland may be put forward to be granted city status. The two towns John recommends for city status are Lisburn and Newry.

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OF THE PUBLIC RECORDS ACT**

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Their view, against the background of the grant of city status to a total of 7 or 8 towns since 2000 (a large increase on past practice), is that further inflation will only devalue the honour. While I fully recognise that a choice of two towns in each country would reduce some of the inevitable criticism – particularly in England - when the successful towns are announced, I will not reopen this issue.

Announcing the decision

We have always made it clear that no reasons will be given for the success or lack of success of the applications and I would not suggest that we enter into dialogue with any of the towns' representatives on the subject. My officials are, however, preparing letters to be faxed, on the day the announcement is made, to the unsuccessful English towns, informing them of the announcement and giving brief feedback on the best aspects of their applications. We hope that – as seemed to be the case with the unsuccessful applicants for the Millennium city status competition – this will reassure them that all the applications received genuine consideration. The letters will also seek to convey that the merits of each of the unsuccessful applications, while evidently not judged equal to those of the chosen town, were nonetheless recognised and appreciated.

I imagine that our territorial colleagues may want their own officials to give similar feedback. I have asked my officials to liaise with theirs on progress and the timing of the announcement, which I believe should again be by arranged Parliamentary Questions in both Houses of Parliament. My officials will also, of course, consult No 10.

Next steps

I am copying this letter to the Prime Minister, Helen Liddell, Paul Murphy and John Reid and to Sir Richard Wilson. I am similarly copying to you and to each of them my replies to the letters I have had from Helen, Paul and John setting out their conclusions on the applications from Scotland, Wales and Northern Ireland.

Comments from you and from copy recipients on my conclusions and proposals are very welcome, but I must ask for them all to reach my office by close of play on 28 January. The short deadline is necessary if I am to meet Buckingham Palace's strong desire for an announcement shortly after the anniversary of The Queen's accession. We need to bear in mind that Her Majesty leaves the country on 18 February to visit Australia, New Zealand and Jamaica, and Her assent on honours matters cannot be delegated.

Yours ever,
Barry

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OF THE PUBLIC RECORDS ACT

PREM 49/2788

THE LORD CHANCELLOR'S
LETTER DATED 21/01/2002

ME



rec 22/1

HOUSE OF LORDS,
LONDON SW1A 0PW

NA
cc Am GG
SH
WP

RESTRICTED - HONOURS

Your ref: 01/sub/1008

Our ref:

The Rt Hon Paul Murphy MP
Secretary of State for Wales
Wales Office
Gwydyr House
Whitehall
London
SW1A 2ER

21st January, 2002

Dear Paul,

**GOLDEN JUBILEE CITY STATUS COMPETITION:
APPLICATIONS FROM WALES**

Thank you for your letter of 14 December and the careful assessments you enclosed of the six applications from Welsh towns for the Golden Jubilee grant of city status.

I note your conclusion that, while Wrexham's application had great merit, Newport's had still more to recommend it. I am content that Newport should be the town which I recommend to Her Majesty The Queen as the new city for Wales for the Golden Jubilee.

You expressed concern that the announcement may engender resentment in other parts of Wales. While it is inevitable that the pleasure of the successful towns in all parts of the UK will be accompanied by the disappointment of their rivals, we must do what we can to assure the towns that have not been favoured that the merits of their applications are appreciated. I am setting out my proposals on the handling of the announcement in my letter to Stephen Byers, a copy of which accompanies this letter.

You will wish to be aware that complications have arisen concerning the grant of city status to Northern Ireland; details are set out in the accompanying copy of my letter to Stephen Byers.

I am copying this letter to the Prime Minister, the Secretary of State for Transport, Local Government and the Regions and the Secretaries of State for Scotland and Northern Ireland, as well as to Sir Richard Wilson, for information and for any comments. I must ask for all comments to reach me by no later than close of play on Monday 28 January, please, to enable us to keep to the timetable agreed with Buckingham Palace.

Yours *ever,*
Derry

FROM THE RIGHT HONOURABLE THE LORD IRVINE OF LAIRG



HOUSE OF LORDS,
LONDON SW1A 0PW

ME
—
NA
JRO
MT
SH
WP

RESTRICTED - HONOURS

Rt Hon Dr John Reid MP
Secretary of State for Northern Ireland
Northern Ireland Office
11 Millbank
London
SW1P 4PN

21st January, 2002

Dear *John,*

**GOLDEN JUBILEE CITY STATUS COMPETITION:
APPLICATIONS FROM NORTHERN IRELAND**

Thank you for your letter of 21 January setting out your conclusions on the six applications received from towns in Northern Ireland for the grant of city status to mark The Queen's Golden Jubilee.

As you say, this is not a political award, and I am grateful to you for ensuring that politics played no part in the shortlisting. I appreciate the difficulty you have faced in attempting to select a single town, and in the current circumstances I am willing to abide by the agreement you have reached with No 10 and Buckingham Palace.

Since it is important that colleagues have an opportunity to comment on this issue and to accustom themselves to its implications for England, Scotland and Wales and for the competition as a whole, I have set out the situation in my letter to Stephen Byers, a copy of which accompanies this one, and invited comments. Your proposed solution will not be an easy one to present, in the context of the Golden Jubilee competition, and we will need to look to your Department for assistance in the handling.

I am copying this letter to the Prime Minister, the Secretary of State for Transport, Local Government and the Regions and the Secretaries of State for Scotland and Wales, as well as to Sir Richard Wilson, for information and for any comments. I must ask for all comments to reach me by no later than close of play on Monday 28 January, please, to enable us to keep to the timetable agreed with Buckingham Palace.

Yours *ever,*

Derry

FROM THE RIGHT HONOURABLE THE LORD IRVINE OF LAIRG



2211

HOUSE OF LORDS,
LONDON SW1A 0PW

ME
NA
A MCG
SH
MD

RESTRICTED - HONOURS

Rt Hon Helen Liddell MP
Secretary of State for Scotland
Scotland Office
Dover House
Whitehall
London
SW1A 2AU

21 January, 2002

Dear Helen,

**GOLDEN JUBILEE CITY STATUS COMPETITION:
APPLICATIONS FROM SCOTLAND**

Thank you for your letter of 19 December and your Department's thorough assessment of the four applications received from towns in Scotland for the grant of city status to mark The Queen's Golden Jubilee.

I note that, on all the main factors except ability to demonstrate a forward-looking attitude, where it scored equally with Paisley, Stirling was assessed as some way ahead of its rivals. I agree with your conclusion that Stirling should be the town I recommend to Her Majesty to be the new city for Scotland.

You will wish to be aware that complications have arisen concerning the grant of city status to Northern Ireland; details are set out in the accompanying copy of my letter to Stephen Byers.

I am copying this letter to the Prime Minister, the Secretary of State for Transport, Local Government and the Regions and the Secretaries of State for Scotland and Northern Ireland, as well as to Sir Richard Wilson, for information and for any comments. I must ask for all comments to reach me by no later than close of play on Monday 28 January, please, to enable us to keep to the timetable agreed with Buckingham Palace.

Yours ever,
Derry



Deputy Prime Minister

RESTRICTED: POLICY

f

AMCG
cc: JH
ME
NA
AA
SM
SV
CS

Dover House
Whitehall, London
SW1A 2AU

Tel: 020 7276 0400
Fax: 020 7276 0196

PRIME MINISTER

REGIONAL GOVERNMENT WHITE PAPER

I promised to send you a note once I had reflected further on our discussions about regional government on Tuesday, in particular on the handling of local government reorganisation. I have also had the benefit of a further discussion today on some of these issues in the Committee on the Nations and Regions (CNR).

Local government

You felt that we should signal that any region that wanted to move to regional government would also need to move to a wholly unitary local government structure, and that a review to deliver that structure should be carried out before the referendum on regional government was held.

This would undoubtedly cause criticism in the North-East that we had shifted beyond our manifesto commitment and that we were importing further delay into the process. It would also cause concern and divert attention in local government across other regions in the North of England where regional government is a realistic proposal in the foreseeable future.

Against that, it could be argued that achieving clarity on the issue of local government structure would make a referendum, once we got there, easier to win. I also recognise that if the shape of unitary local government is clear at the time of the referendum on regional government, we would have an implicit democratic mandate for the local government reorganisation. That would make it easier to take potentially controversial changes through Parliament.

Having reflected on those facts and listened to the discussion in CNR earlier today, I believe that we could sell this package and withstand any criticism, provided that we stick to a timetable of a referendum well before the next election, following a second-session Referendum and Local Government Bill. This was the view reached in CNR, recognising that the absolute bottom line for those campaigning for regional government in the North-East and elsewhere is to see a referendum well before the next General Election, even if the actual establishment of the Assembly is not completed until the next Parliament. It was emphasised in CNR that we must hold the referendum by the summer of 2004, to avoid the risk of it becoming entangled with the run up to the next Election.

RESTRICTED: POLICY

Threshold and triggers for referendum

You and I discussed whether it would be sensible to make clear in the White Paper that only those regions that already have predominantly unitary local government (defined say as more than 50% of the population living in unitary local authorities) would be eligible to go to a referendum at the first stage. This would restrict the initial field to the three Northern regions and the West Midlands, although in reality the North-East is the only likely candidate for a referendum immediately. More importantly, a threshold would enable us to say that regions in the South of England would not be moving to regional government at this stage, giving us a clear defence against accusations that we intended to abolish the southern shire counties. It would, however, be criticised by some in the South, in particular the South-West and Cornwall, who are keen on regional government. Officials need to consider urgently ways in which we could allow regions below the threshold to become eligible in due course.

The preliminary view in CNR was that such a threshold would be a good approach, with the Secretary of State being responsible for deciding after consultation which of the qualifying regions should proceed to a referendum. I will come back to you on this when we have considered further.

Functions

You expressed concern that the Assembly's scrutiny role on health may interfere with health delivery. I will look at this, but provided that the Assembly's role is at least as great as that of the Greater London Assembly (which does not have the scrutiny role) I believe that we can meet your concern.

Constitution

I explained that we intend to have a small assembly of some twenty-five to thirty-five members. This view was shared by CNR and there was overwhelming support for a leader elected by and accountable to the assembly, rather than a directly elected leader. CNR felt we should consult on a range of mechanisms for involving business and other stakeholders in the assembly, such as a civic forum or posts on scrutiny committees.

Electoral system

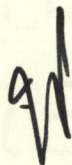
CNR felt, as we had, that some form of PR was unavoidable and that there is a strong case for following earlier devolution models, in particular the London one. But colleagues felt that we should examine this further in the light of some of the political and operational difficulties that our experiences in Scotland and Wales have thrown up before reaching a final decision.

RESTRICTED: POLICY

Timing

We agreed that I should continue to work towards publication of the White Paper in March. I will take that forward with CNR colleagues working with your officials and updating you when necessary.

I am copying this to Stephen Byers and Sir Richard Wilson.



JOHN PRESCOTT

21 January 2002

RESTRICTED - APPOINTMENTS

From: Oly Jones
Date: 21 January 2002

PRIME MINISTER

cc: Geoffrey Norris
Jonathan Powell
Jeremy Heywood
Simon Virley

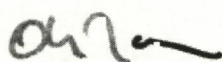
NEW CHAIR OF THE NORTH WEST RDA

You need to approve the appointment of a new Chairman of the North West Development Agency. Patricia has written recommending Bryan Gray.

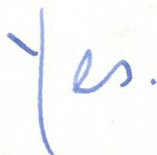
Your approval is required before Patricia Hewitt can appoint the new Chairman of the Regional Development Agency for the North West. She has written recommending Bryan Gray, who was selected following the normal public appointments procedures.

Gray has an excellent business track record with experience of manufacturing in a European context. He is currently Deputy Chair of the Baxi Group (a £750m home heating appliance manufacturer) but will scale down his activities if appointed. He is currently Chair of the CBI in the North West, and has a good grasp of the economic issues facing the region and of the strength of the sub-regional partnerships.

Digby Jones and Richard Caborn supported his application; Sir Richard Wilson is content. He is a strong business candidate. Are you content?



OLY JONES



RESTRICTED - APPOINTMENTS



PRIME MINISTER

OJ
C: JJH
GN
Jlo
Apprs.

APPROVAL TO APPOINT CHAIR OF THE NORTHWEST DEVELOPMENT AGENCY

I would like to recommend the appointment of Bryan Gray as Chair of the North West Development Agency for three years. Mr Gray has indicated his willingness to accept the position if offered.

The Department's normal public appointments procedures, which comply with guidance from the Commissioner for Public Appointments, have been followed fully in considering this appointment. Sir Richard Wilson has cleared the recommendation. Once you have approved the recommendation, officials in DTI and GO-NW will inform the candidates of the decision and will arrange for key regional and national stakeholders to be consulted on the new appointment. This is a requirement under the RDA Act 1998.

An early decision would be appreciated so that we can report progress when Ministers meet the RDA Chairs on 29 January. This will ensure that the statutory consultation, which must allow a minimum of four weeks for responses, can be completed in February and allow the announcement of the new appointment to be made in early March, allowing time for a short handover with the existing Chair, Lord Thomas of Macclesfield, who retires at the end of March.

Full details of the requirements of the post and the person specification are at Annexes A and B respectively. The report of the interview panel and recommendations is at Annex C.

Mr Bryan Gray, who is aged forty-eight, has an excellent business track record, having gained recent experience in a manufacturing sector in a European context. He is currently Deputy Chair of the Baxi Group Ltd. and Chair of the CBI, North West Region, but would be in a position to scale down his activities with Baxi to make time for the NWDA Chair appointment. He has also recently stood down from his position as non-executive Chairman of Preston North End Football Club, a position he held since 1994. He has a good understanding of the economic issues currently facing the North West and in particular of the strength of sub-regional partnerships. The Department received a number of letters supporting his application, including one from the national CBI as well as a number from regional stakeholders. A list detailing from whom letters of support have been received is attached at Annex D.

RESTRICTED - MINISTERIAL APPOINTMENTS



There are four women and one ethnic minority representative among the fifteen members of Northwest Development Agency (including the present Chair). Details of current board members are at Annex E.

A handwritten signature in blue ink, appearing to read 'P H' followed by a long horizontal stroke.

P H

18 January 2001

DEPARTMENT OF TRADE AND INDUSTRY



NWDA CHAIR APPOINTMENT - JOB SPECIFICATION

The Regional Development Agencies provide economic leadership in securing the development of the regional economies.

THE ROLE

As the Chair of the NWDA Board you will have

- A high profile leadership role in the region and beyond
- A key role in taking forward the regional agenda
- The ability to lead and build a team from a high calibre Board full of committed individuals
- A passionate commitment to the job and the region

Your **specific duties** will be to

- Build on and develop a cohesive and focussed Board, chairing regular meetings through the year (at present 10)
- Through the Board and on the advice of the Chief Executive
 - determine the thrust of policy
 - determine the broad distribution of resources
- Chair the remuneration committee
- Have oversight of the audit committee proceedings
- Create the circumstances in which Board members can make an individual as well as a collective contribution to the work of the Agency. Carry out appraisals and prepare an annual assessment of each Board member's performance.
- Be satisfied, through the Board, that the work of the Agency is being carried out efficiently and effectively, making good use of its resources
- Work with the Chief Executive and the Board, and in partnership with people and businesses in the region, to deliver the purposes of the Agency, including the preparation and regular review of the Regional Strategy
- Set the context within which the Chief Executive can manage the work of the Agency



- Report directly to the Secretary of State for Trade and Industry and other Ministers as appropriate
- Along with the Chief Executive and the Board, be open to public scrutiny and accountable for the actions taken by the Agency
- Promote the work of the Agency regionally, nationally and internationally (where relevant)
- Work with other RDA Chairs to develop the RDA position for discussion with Ministers, and to influence government policy. Take the lead nationally on one or more individual subjects, and act in turn as “chair of the RDA Chairmen’s Forum”
- Recognise the opportunities that arise from major developments and pursue at a strategic level

Remuneration

£46,634 per annum on the basis of an average time commitment of two days per week.

The appointment will be made for three years.




ANNEX B

NWDA CHAIR APPOINTMENT - PERSONAL REQUIREMENTS

You will need to demonstrate the following:

- A strong current or recent business or entrepreneurial background at a significant level
- A strong understanding of and a commitment to the regional agenda
- The ability to command trust and work effectively with the public, private and voluntary/community sectors
- The ability to network and build partnerships, encouraging groups with disparate or conflicting interests to work together in a common cause
- Strong inter-personal and influencing skills
- Strong conceptual and strategic thinking
- Excellent communication skills, both one to one and at major events/conferences, and through all forms of communication
- The ability to work directly with all levels of Government, including Ministers and senior civil servants
- The ability to work closely and effectively with GONW and NWRA



DEPARTMENT/SERIES <u>PREM 49</u> PIECE/ITEM <u>2788</u> (one piece/item number)	Date and sign
Extract details: <u>ANNEX C MINUTE DATED</u> <u>18 JANUARY 2001</u>	
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card



Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer
or Number not used.



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OF THE PUBLIC RECORDS ACT

ANNEX D

**LETTERS OF SUPPORT RECEIVED FOR NWDA CHAIR
CANDIDATES**

Bryan Gray

Richard Caborn MP, Minister for Sport

Digby Jones, Director General CBI

Mark Hendrick MP

Michael Jack MP

David Borrow MP

Chris Davies MEP

Rt Rev'd Alan Chesters, Bishop of Blackburn

Dr David Fleming OBE, Director National Museums and Galleries on Merseyside

James Carr, Town Clerk/Chief Executive Preston Borough Council

Gloria Oates, High Sheriff of Lancashire

John Stiggers, Director Society of British Gas Industries

Alan Wood, Director Siemens plc

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OF THE PUBLIC RECORDS ACT

PREM 49/2788

ANNEX D MINUTE DATED
18/1/2001

**ANNEX E****COMPOSITION OF BOARD OF NWDA**

Four members stepped down from their posts in December 2001 creating 1 business, 2 local authority and 1 HEI vacancy. A further 2 business posts were created taking the board to the statutory maximum of 15. The new members were appointed in December 2001, following open competition.

Re-appointed board members

Lord Thomas	Business (retires at end of March 2002)
John Dunning	Rural/business
Felicity Goodey	Business
Dennis G Mendoros	Business
Clive Jeanes	Business
Alan Manning	TUC
Kath Reade	Voluntary
Michael Doyle	Local authority
Richard Leese	Local authority

New appointments

Anil Ruia	Business
Neville Chamberlain	Business
Brenda Smith	Business
Pauleen Lane	Local authority
Michael Storey	Local authority
Sir Martin Harris	Education.



10 DOWNING STREET
LONDON SW1A 2AA

Faxed to all

From the Senior Policy Adviser

16 January 2002

Dear David

REGIONAL GOVERNMENT WHITE PAPER

The Prime Minister met the Deputy Prime Minister yesterday to discuss progress on the Regional Government White Paper. Jeremy Heywood, Peter Unwin, Paul Hackett and I were also present.

General

The DPM noted that CNR was making good progress on the White Paper and had now reached broad agreement on a functions package. The Committee was meeting again on Thursday and it would be helpful to have an initial steer on how the White Paper should address the issue of unitary local government.

Local Government

The DPM said there were essentially two options for any local government structure review – it could be held before or after any referendum. He understood that the Prime Minister favoured the first option. There were pros and cons for both options and different implications in terms of timetables.

If the Prime Minister felt strongly that the review should be before the referendum, this would mean a delay in the establishment of the assembly but this could be managed. At most the delay would be about twelve months. What was most important was that the Government could show that it was making progress in delivering its Manifesto commitment. A referendum before the end of the Parliament in at least one of the English regions was essential and a Referendums Bill in the next session was crucial to meeting that timetable.

However, before taking any decision, he wanted first to discuss the arguments in full with the Prime Minister. The Manifesto commitment was to allow for referenda where predominantly unitary local government was established. Any

move towards 100% unitary local government may be interpreted by some as going beyond the Manifesto commitment and would be controversial.

The Prime Minister responded that if there was no local government reorganisation in those regions that wanted to move towards regional assemblies, there would be a problem with over-government. Unless the issue of local government was looked at first, it was possible that any referendum could be lost.

It was essential to have as streamlined a system of government as possible arising from regional assemblies and to be able to answer conclusively the charge that the Government was creating an extra tier of government. Questioned by the DPM as to whether this meant that regions would have to move towards 100% unitaries, the Prime Minister said that in his view it did.

He supported a review of local government before any referendum because he wanted people to know precisely what they were voting for. However, he did not want to provoke local government reviews in regions where there was no demand for regional assemblies.

The DPM agreed to provide the Prime Minister with further advice on the pros and cons of the two main options but stressed that he would welcome a strong steer as quickly as possible so as to enable CNR to make further progress.

Functions

On functions, the Prime Minister stated that he was content with the proposals for a general duty on regional assemblies to promote public health. However, he did not wish a scrutiny role for assemblies in relation to health policies. He wanted frontline delivery units to be free from unnecessary bureaucracy.

The DPM responded that he did not think the scrutiny role was essential – the key was to be able to demonstrate that regional assemblies enjoyed powers and duties similar to the London model.

Electoral Systems/Civic Fora

The DPM noted that he himself was not a keen supporter of proportional representation but was persuaded that some form of PR was necessary if regional assemblies were to achieve cross-party support. He favoured the Additional

Member System. There was also a case for business and other stakeholder involvement with regional government – possibly through a Civic Forum.

The Prime Minister agreed.

Timetable

The DPM said he was aiming for publication before the Easter recess but asked whether the Prime Minister wished the publication date of the White Paper postponed until after the local elections, given the sensitivity of its likely conclusions on local government.

The Prime Minister responded that he did not have firm views on this matter.

Conclusion

I would be grateful if you could provide a short note for the Prime Minister on the two main options for local government reviews - setting out the main advantages and disadvantages of each option and recommendations from the Deputy Prime Minister – as well as advice on triggers for referenda.

I am copying this letter to Sir Richard Wilson's office.

Yours ever

Signed : Alasdair McGowan

17/01/2002

ALASDAIR MCGOWAN

David Prout
DPM's Office

R17/1



Yorkshire & Humber

Regional Development Agency

Geoffrey Norris
Policy Unit
10 Downing Street
London
SW1A 2AA

15 January 2002

Dear Geoffrey,

FOLLOW UP TO MEETING ON 8 JANUARY

I am just writing to follow up our meeting on 8 January, where we had the opportunity to discuss how Yorkshire Forward is tackling the issue of cluster development in our region. As promised, I enclose a copy of the Board paper approved in March 2001.

We also talked about the 'strategy, structure, people' mantra that we have adopted in Yorkshire Forward. I am currently putting down a few thoughts on the rationale behind merging a number of regional organizations to provide an improved delivery service in Yorkshire and the Humber. This will be with you shortly.

Best wishes

Yours sincerely

Graham Hall

Enc

From the Chairman

Yorkshire Forward

Victoria House 2 Victoria Place Leeds LS11 5AE Tel: 0113 394 9688 Fax: 0113 394 9776

Website: www.yorkshire-forward.com

YORKSHIRE FORWARD – YORKSHIRE & HUMBER RDA

Board Meeting: 23 March 2001

Report by Chief Executive

KEY CLUSTERS IN YORKSHIRE AND THE HUMBER

SUMMARY

1. Objective 3 of Yorkshire Forward's Corporate Plan is to invest in key clusters in the region. This paper provides a definition of a cluster and describes the research work that has already been completed, both within Yorkshire Forward and by others, examining potential clusters in the region. It provides comment on the criteria that are used to determine the choice of key clusters and recommends those priority clusters where Yorkshire Forward should focus attention during this planning period. A rolling programme of targeted intervention in other existing and emerging clusters will be developed in coming years.

BACKGROUND

2. Annex A gives a definition of a cluster and a short summary of the research data completed to date by Yorkshire Forward and contained in the recently published study of clusters in the UK commissioned by DTI Minister, Lord Sainsbury, "Business Clusters in the UK: A First Assessment". It is the intention to build upon the work of the Regional Innovation Strategy, now the Yorkshire Forward Cluster Network (YFCN), in taking forward our investment in key clusters. No significant evidence has so far been found for any clusters within the region that are not linked in some way to existing YFCN sectors but Yorkshire Forward will continue to monitor emerging industries in the region to ensure that potential new clusters are not overlooked.

CRITERIA FOR THE CHOICE OF KEY CLUSTERS

3. Criteria used to determine "clusters" include hard economic data as follows:
- (a) the **strength of their actual or potential presence in the region** based on a range of economic data, including employment, value added, turnover, etc;
 - (b) the **prospects for the sector generally** – based on economic forecasts; and
 - (c) how **competitive the sector is (or has the potential to be) in the region**. It should ideally be competitive globally or within the EU but it should at least be an area of relative strength for the region compared with other UK regions.

4. Other softer or qualitative factors are also needed to determine priority clusters. For example, the strengths of existing networks or the quality of the research base in the region. Scottish Enterprise have used a number of such factors to aid their choice of priority clusters and Lord Sainsbury's report on biotechnology clusters outlined a number of other factors associated with successful cluster development. Yorkshire Forward has used these criteria to assess the proposed key priority clusters shown at Annex B.

POTENTIAL KEY CLUSTERS

5. The previous work done within Yorkshire Forward, the DTI Cluster Mapping study, discussions with the YFCN sectors and further research have indicated the following are the key priority clusters within the region that should form the basis of our initial intervention strategy:

- (a) **Food (including agriculture) and Drink;**
- (b) **"Digital" industries** (electronics, multi-media, web & internet services, design, print and creative/cultural);
- (c) **Advanced engineering & metals** (including surgical devices, aerospace, environmental industries etc); and
- (d) **Chemicals**
- (e) **Bioscience**

6. The detailed analysis of each of the key priority clusters listed above is enclosed in the Blue Folder.

7. There are other sectors that support clusters, forming part of infrastructure requirements of any economically successful region including finance, construction and freight. The effectiveness of these support elements will be considered in the light of the contribution they can make to the priority clusters. Annex C sets out the next steps in Yorkshire Forward's strategic intervention in the priority clusters.

FINANCIAL IMPLICATIONS

8. There is an initial allocation of £100k per cluster included in the Business Plan 2001/02 to begin the work identified in Annex C.

RECOMMENDATION

9. That the Board:

- (a) approves the choice of key priority clusters that Yorkshire Forward will focus on during the period 2001/04, as:
 - (i) Food (including agriculture) and drink;
 - (ii) Digital industries;
 - (iii) Advanced engineering and metals;
 - (iv) Chemicals; and
 - (v) the embryonic bioscience cluster.

DEFINITIONS OF A CLUSTER AND RESEARCH ON CLUSTERS IN THE YORKSHIRE AND HUMBER REGION

1. Objective 3 of the Yorkshire Forward Corporate Plan 2001/04 includes a commitment to invest in key clusters. Although there has been much academic debate over the precise definition of a "cluster", we intend to use Porter's definition (also used in the DTI Cluster mapping study referred to below) :-

" Geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies and trade associations) in particular fields that compete but also co-operate"

or, in simpler terms, but meaning broadly the same, the definition used by Scottish Enterprise :-

" A group of organisations in related industries that are linked together because they buy or sell from each other, and/or because they use the same infrastructure, customers or skills base"

2. It is important not to get too drawn into semantic debates regarding definitions but to understand that a cluster is more than a sector, or a supply chain or simply a group of firms that happen to be located reasonably close to each other. It is all of these, but it is more than each of these. Also, and critically, it does not just involve the existence of the components or stakeholders of the cluster. It involves the relationships between them and the strength of the linkages. This is why clusters have been described as organic entities whose life is determined by the relationships between their component parts.

3. Although any analysis needs to be statistically based, it is difficult for statistics to reveal the strength or even the existence of relationships between the stakeholders. Thus there must be qualitative analysis of a cluster as well as more conventional statistically based quantitative analysis.

4. The absence of more qualitative analysis is a key weakness of the recent cluster study published by the DTI, "Business Clusters in the UK : A First Assessment". This fact is admitted within the study, as is the concentration on Standard Industry Classification (SIC) sectors which ensured the study was unable to give correct prominence to clusters which overlapped the SIC definitions. The reason for the concentration on SIC's was the availability of data but this in turn led to another difficulty for the study. This was its omission of those sectors which are currently too small to feature in any statistical sense but which may nevertheless offer real potential for the region. The study also suffered from the omission of growing sectors whose growth has been too recent to figure in the available data.

5. The overall conclusion of the study was that the UK was not strongly clustered and that what clusters there were (e.g. financial services, creative industries) tended to be in the South East. Yorkshire and the Humber was found to be one of the UK's least specialised regions.

6. Possible clusters identified within Yorkshire and the Humber in the DTI study included:-

- (a) Agriculture/Food
- (b) Speciality Chemicals
- (c) Construction
- (d) Finance
- (e) Furniture manufacture
- (f) Medical/surgical equipment
- (g) Metals
- (h) Woollens
- (i) Leisure software, web design and Internet services.

7. Internal research by Yorkshire Forward in December 1999 identified six priority sectors based upon available data about the region's strengths. The six sectors were:-

- (a) Chemicals
- (b) Food
- (c) Construction
- (d) Freight
- (e) Finance
- (f) Tourism

This choice of sectors followed consultations within the region and statistical analysis of their current performance and potential future growth. The Board requested further work to improve our understanding of the regional economy.

8. Yorkshire Forward has become responsible for the 15 Regional Innovation Strategy sectors, now the Yorkshire Forward Cluster Network (YFCN). Further discussions with each of the YFCN sectors have indicated that the three groups of five sectors outlined in the paper proposing the YFCN may have to be modified. However, given that it is intended that the YFCN form the basis for Yorkshire Forward's policy towards clusters, as this develops, the sectors or "clusters" within the YFCN will have to be further fine-tuned.

9. Work on identifying potential key clusters has focused on the existing YFCN sectors. However, the DTI cluster mapping study does indicate a small number of other possible clusters in Yorkshire and the Humber (furniture manufacture, caravan manufacture etc) and, although there is no evidence to support these industries being included in the initial wave of key clusters, further investigation is necessary to determine whether they should be included in subsequent waves of key clusters.

Criterion	Food & Drink	"Digital" Industries	Advanced Engineering & Metals	Chemicals	Bioscience
Strength of actual/potential presence in region.	XXX	XX	XXX	XX	XX
Growth prospects for industries in cluster.	XX (some parts of cluster are expected to show more growth)	XXX	XX (some sectors eg. aerospace, medical devices) expected to show strong growth	XX	XXX
Competitive strength of cluster in Yorkshire and the Humber	XX	XX	XX	XX	XX
Links and overlaps between clusters.	XXX	XXX	XX	XXX	XXX
Benefits of immediate intervention.	XXX	XXX	XXX	XX	XXX
Push from within the cluster.	XX	XXX	XXX	XX	XXX
Leading edge science base.	XXX	XXX	XX	XX	XXX
Entrepreneurial culture in universities and research institutes.	X	XX	XX	X	XX
Thriving business start-ups.	X	XXX	X	XX	XX
Ability to attract key people.	X	XX	X	XX	XX
Presence of large, mature companies.	XXX	XXX	XXX	XXX	XX
Innovative training programmes.	XXX	XXX	XX	XX	X
Effective networks for "knowledge exchange".	X	XX	XX	XX	XX
Premises and Infrastructure which meets companies' needs.	XXX	XXX	XXX	XXX	X

XXX – Fully meets criterion
 XX – Partly meets criterion
 X – Does not meet criterion

KEY CLUSTER INTERVENTION – NEXT STEPS AND PROCESS

1. The proposed key clusters represent a key strategic fit with the RES, with the integrated approach to clusters bringing together action to deliver all RES objectives:

- (a) the focus on key sectors to help indigenous businesses become more competitive, particularly to move established businesses throughout the region in manufacturing, food and chemical to high value-added, high growth speciality products;
- (b) the encouragement of spin-off new business starts in incubative facilities and the attraction of targeted global investors to unique research and infrastructure strengths in key clusters, as with Boeing;
- (c) the integration of vital "softer" elements into cluster development - notably skills, inclusion (through transport and intermediate employment initiatives) and acceleration of the switch away from fossil fuel rich industries; and
- (d) a balanced geographical coverage, with particular emphasis on the key cities as chemical drivers, such as Leeds (digital media), York (biosciences), the Humber Trade Zone (chemicals and food), South Yorkshire (all clusters except food) and rural diversification (food).

2. Although sufficient work has been undertaken to give solid foundation to the selection of key clusters, further work on the inter-related sectors and institutions that form the cluster will be necessary to substantiate the choice. During the life of the Business Plan 2001/02 there will be a phased development of the detailed cluster 'maps'. These will:

- (a) assess the strengths and weaknesses of the linkages between the various elements in the cluster;
- (b) identify gaps in the firm concentration;
- (c) suggest how effective the support services and infrastructure for the cluster are;
- (d) develop forecasts for the market and technology trends that will impact the cluster; and
- (e) benchmark the current state of the cluster to national and global comparative clusters.

3. Multidisciplinary cluster teams will be formed within Yorkshire Forward to steer the mapping exercise and to develop a vision for the cluster with leadership from 'champion' industrialists drawn from our YFCN groups and our corporate sponsors.

4. The cluster teams will determine the nature and scope of strategic public interventions necessary to strengthen the cluster and develop an action plan for the cluster. This action plan must be driven and owned by the private sector and will be communicated to other public sector partners. The detailed milestones will be set out in the operational plans for each cluster and will

include targets in relation to job creation, business start-ups, inward investment and skills.

5. Yorkshire Forward's own resources will be channelled to supporting these key priority clusters in line with the action plans and building upon the work already underway in Breakthrough projects where these impact on the key clusters.

6. As the intervention takes hold and begins to deliver benefits, Yorkshire Forward's input will diminish as the private sector leadership and the action plans begin to drive other sources of public and private funds. A rolling programme of cluster development will be initiated over the period of the Corporate Plan 2001/04, to ensure that emerging strengths in other clusters are not overlooked and that Yorkshire Forward's resources are continually used as a catalyst for developing globally competitive strengths in the region's industry base.



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PRIME MINISTER

REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT

Last May you asked the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. I enclose the interim findings, which will be fed into the Spending Review Cross-Cutter on the voluntary sector, before a final report is produced in the early Spring.

Following much work by Barbara Roche, with officials from across Government and representatives from the voluntary sector, the RCU has produced an interim report which sets out recommendations for change to make funding easier to access by voluntary and community groups. The focus is on realistic and practical changes that will make a meaningful difference to the many thousands of voluntary and other organisations that deliver regeneration projects in their communities.

The interim report proposes improvements in the way information on funding is provided; greater simplification and harmonisation of funding arrangements to reduce bureaucracy; and greater use of Information Communication Technology to facilitate and speed up access to funds. The overall impact will be to ensure that funds are more easily secured and used effectively.

At our meeting on 22 December, when we discussed Neighbourhood Renewal, we considered the scope for further work on the complex maze of funding streams. This is being partly addressed through the RCU review of Area Based Initiatives, which is focusing on improving delivery on the ground through a variety of measures including pooling budgets at the local level. There will be links between the ABI review, the Regeneration Funding Study and the work DTLR is leading to reduce the number of local plans and partnerships.

To ensure effective implementation, these findings now need to dovetail with the work of the Spending Review Cross-Cutter on the voluntary sector. The agreed recommendations from both studies, and particularly their resource implications, can then be taken forward as part of the main SR2002 process. Subject to that, it is proposed that a team be set up at the heart of Government to drive the changes through.

Key Problems

Early on, the team took the view that there was little mileage in simply producing another set of principles defining how funders should conduct themselves in relation to those that they fund. While worthy, this has been done before, and little has actually changed on the ground.

Exhortation does not work and so the complaints remain: application processes are over-complicated; monitoring arrangements are burdensome; each funder differs in the records they want kept and so on. The RCU looked at the situation from the point of view of those seeking funding, and sought to establish what would really make a difference to those on the ground - practical measures that would encourage those with good ideas to seek funding. Representatives from the target sector and from funders were involved throughout to ensure that the problems were correctly identified and the solutions workable and welcome.

Recommendations

The main recommendations are described in Annex A, and are summarised below:

- Improve access to information
- Improve application procedures
- Improve Terms & Conditions of funding so as to allow for easier use of funds through
- Better use of Information Technology

The study team is also reviewing the Government Accounting Manual with a view to further discussions with the Treasury about reform of accounting rules.

Response from the Voluntary & Community Sector

The team is confident that the report's recommendations reflect the concerns of the sector, which has been involved through interviews, consultation exercises, written exchanges and their participation in the various reference and working groups set up by the team to consider particular issues. They also took into account the findings of two related consultation exercises conducted by DfES and the Home Office. Barbara Roche has also recently met a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Making it Happen

The RCU team was particularly struck by the fact that many of these areas have been covered by previous studies and reports, and in many cases similar solutions were proposed. The Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998) is one example. However, little change subsequently occurred on the ground. This is understandable, as funders will usually resist change because they will have invested resource in their current systems. We cannot therefore rely on funders themselves to implement proposed changes unaided. Properly planned implementation is key.

To this end, the central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes we propose. The team would have a limited life span (2-3 years), disbanding when its objectives had been achieved. It will need to have the power and authority to require that funders make the changes proposed. I believe this is critical to the success of the project and therefore the effective involvement of voluntary organisations in regeneration programmes - and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.

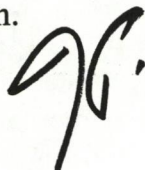
Update and Next Steps

A start has already been made in some of the areas covered by the report. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model. The Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. The production of Guidance to Funders - including simplified guidance to Treasury rules - is underway.

If you are content with the interim conclusions, I will arrange for them to be presented to members of DA Committee and the Ministerial Group overseeing the cross-cutter. The RCU will then work closely with the cross-cutter team to ensure a joined-up set of conclusions from the two exercises, whose implications, particularly for resources, can be taken forward as part of the main SR2002 process.

A final report of the RCU study will be completed and sent to you early this year. This allows for the first stage of the Cross-cutter to be concluded and comments from colleagues across Government on the interim report to be taken into account.

I am copying this to Sir Richard Wilson.



JOHN PRESCOTT

11 January 2002

ACCESS TO REGENERATION FUNDING – PRINCIPAL RECOMMENDATIONS

The key practical problems that groups face when trying to access funding for social projects, and the solutions proposed in the report, are as follows:

Information on Funding

Problem: **Information on funding is not always easily available or comprehensible to potential applicants.** Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: **A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding.** Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

Application Processes

Problem: **Application processes are often too long and complex.** People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria are not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM, by wasting the resource of the funded body in complying with them.

Solution: **A new and comprehensive Guidance to Funders package will be developed,** detailing how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will, however, need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" above).

Problem: **Multiple funding streams add to the complexity.** However, many organisations see this as advantage – multiple funding streams improve their chances of securing funding

Solution: **Some funding streams may be merged or ended as part of the Area Based Initiative review** also being undertaken by the RCU. Where multiple streams are channelled through the same intermediary (e.g. local government) then guidance will encourage "pooling" to hide some of the complexity.

Payment Arrangements

Problem: **Payment arrangements are applied inconsistently** and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, **simplified guidance to the Government Accounting Manual**, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

Monitoring and Evaluation arrangements

Problem: **Monitoring and evaluation arrangements are often duplicated**, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every month from one funder or another.

Solution: Introduce proportionality - **arrangements to be geared towards level of risk and level of funding.**

Introduce "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by **greater use of modern technology in administering funds** - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: **Promotion and demonstration of wider use of interactive technology** in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)

Access to Regeneration Funding

AN INTERIM REPORT FOR THE PRIME MINISTER
by the
REGIONAL CO-ORDINATION UNIT



INTRODUCTION

- 1 This is an interim report on a study being conducted by the Regional Co-ordination Unit at the request of the Prime Minister. The study explores how to improve access to regeneration funding for voluntary and community groups and small businesses.
- 2 Ease of access to appropriate funding is of vital importance at a time when the effective delivery of public services in general - and regeneration programmes that target the socially excluded in particular - are ever more dependent on thousands of voluntary and community groups, small businesses and social and community enterprises. These organisations all contribute to the development of policy and its implementation. They ensure that there is community involvement through the involvement of hundreds of thousands of volunteers. These are people who work to deliver services, shaping local delivery to meet the needs of their communities.
- 3 The study has aimed to examine problems with accessibility from the point of the view of the recipient of funding, without losing sight of the views of funders, and impact of their approach. To aid in this, the study has had the benefit of participants from a range of Government Departments, the voluntary and community sector, and local authorities.
- 4 The study was initially due to be completed in November 2001. However, it is important to ensure that the recommendations complement those of the current cross cutting review of the role of the voluntary sector as service providers. Consideration is being given to the precise form this "joining up" should take. In the meantime, it has been agreed that the final report should be postponed to January 2002.
- 5 In the interim period, additional work will be taken forward, particularly on Funder Guidance, with the Treasury and the National Audit Office. The final report will be provided by the end of January, and will include full analysis of findings, illustrated by examples. It will also include detailed recommendations with proposals for allocating responsibility for implementation. No commitment has been made to publish the final report, though this may be judged appropriate in the context of the cross cutting review.
- 6 The interim recommendations are summarised in the opening section and highlighted in bold text throughout the report.

SUMMARY

- 7 This interim report identifies some of the main findings of the study and the emerging recommendations. The report reflects both the point of view of the service provider seeking funding and the importance of the three principles that underpin public sector spending – regularity, propriety and value for money.

- 8 The table below summarises key problems and responses.

Problem

Information on funding is not always easily available or comprehensible to potential applicants

Application processes are far too complex. Service providers waste effort developing speculative bids

Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM

Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs.

Both application forms and monitoring arrangements frequently require the repeated provision of the same information to funding agencies

Monitoring and evaluation arrangements are often duplicated, and can be quite heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers.

Absence of core funding

Double funding and double payment

Funding agency officials do not always have necessary expertise to apply funding flexible and effectively

Emerging Recommendations

A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding, including a central source of electronic information on funding opportunities

New comprehensive guidance to funders on how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. This includes simplified guidance to the Government Accounting Manual

Development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. This would also enable funding information to be targeted at particular service providers.

Introduction of a "lead funder" concept – where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders – the "passporting" of information

Alternatives are proposed

New guidance – on grant terms, and accounting disclosures

Skills development / capacity building for those responsible for developing and implementing funding regimes

- 9 The RCU study team has been particularly struck by the findings that much work has been done by Government in the past on the issues identified above. For example, the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998). This, and other reports, have put forward many good recommendations which have rarely been implemented.
- 10 A central and overarching recommendation from the review therefore, is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes proposed. This is critical to the effective involvement of voluntary organisations community groups and other small, local service providers in regeneration programmes and consequently the successful delivery of government policy on both community involvement and diversity in service provision.

BACKGROUND

- 11 Following criticisms that the system of regeneration and community funding had become complex and difficult to understand, the Prime Minister invited the Deputy Prime Minister to arrange for the Regional Co-ordination Unit (RCU) to lead a study considering how such funds could be made more comprehensible and user-friendly. The RCU was asked to focus on how to help local and community groups, the voluntary sector and small businesses access the available funding.
- 12 The RCU began work in July 2001. A small team of officials was assembled for the study and a reference group was drawn together from across Whitehall, the voluntary and community sector as well as other public sector agencies.
- 13 The RCU was asked to consider:
 - o Regionally based advice points
 - o A user's guide to funding
 - o Interactive websites
 - o Common application forms
 - o A database of information about organisations (removing the need to resubmit information)
 - o Accreditation
 - o Possible changes in funding arrangements
- 14 Following extensive research and interviews, three working groups were set up with cross-sector representation, to consider:
 - (a) **Information and advice about funding** – Co-Chaired by Jane Henderson, Regional Director GOSW and Andrew Muter, Asst. Chief Executive (Regeneration), Nottinghamshire County Council. This group considered proposals for the more systematic and regularised provision of information and advice to potential applicants for funding and the development of the specification for the electronic provision of information and advice.
 - (b) **Funding arrangements** – Chaired by Joe Cavanagh, Director, National Audit Office. This group was asked to examine, and develop recommendations on, the terminology and methods used in: application procedures; terms & conditions; monitoring & evaluation; and auditing processes. It was also asked to examine the role of Quality Systems and possible accreditation arrangements.
 - (c) **E-Business arrangements, technology based aids and solutions** – Chaired by the RCU. This group was asked to consider proposals for the electronic management of funding streams, including arrangements for the submission of electronic applications and administration of subsequent grant/ contract/ service agreements.

- 15 All the groups had cross-sector membership with individuals who all had extensive experience as well as access to considerable expertise within their organisations. Each group undertook their work from the perspective of the organisation seeking funding to deliver regeneration services. Both the NAO and HMT have made significant contributions to the study.

FINDINGS AND EMERGING RECOMMENDATIONS

- 16 Many millions of pounds of regeneration funding are distributed to a wide range of service providers each year. Although there are several thousand voluntary and community groups engaged in delivering regeneration programmes, they do so in co-operation with, and sometimes in competition with, many small businesses, local authorities, FE Colleges and Universities.
- 17 Regeneration funds are linked to a variety of government initiatives, and distribution may involve several intermediaries between central government and the organisation providing a service. These may bring priorities, objectives, funding rules and regulations as well as monitoring and inspection arrangements that may duplicate each other and add onerous bureaucratic burdens on small to medium sized organisations that are often ill-equipped to cope. These arrangements often seem to go beyond measures that are necessary to protect the public purse.
- 18 There are three principles that underpin the use of public sector funds and the study has had due regard for these. These principles are:
- o regularity
 - o propriety and
 - o value for money
- 19 However, the study was conducted from the point of view of the service provider seeking public funding to enable the provision of services that contribute to the regeneration of disadvantaged neighbourhoods and communities. The report has been structured to reflect their experience.

Funding Information

- 20 Without easy access to information about available funding, many local service providers, particularly smaller and less sophisticated ones, are likely to fail at an early stage. Service providers need timely access to accurate information about funding opportunities.
- 21 Some information and support is available from generalist local / regional support agencies and specialist regional / national agencies. Providers of funding information are also to be found in central Government Departments, at Government Offices, in local authorities, within voluntary sector networks and umbrella bodies (Training and Employment Network, Scarman Trust, BASSAC, Development Trusts Association, Urban Forum, Community Action Network etc), and at local branches of the Council for Voluntary Services. In some cases, such agencies have specialist funding advice workers. They can make a valuable contribution, offering face to face advice and assistance.
- 22 However, provision is fragmented and inconsistent, and it can be difficult, particularly for new organisations, to know where to turn for help.
- 23 **The RCU recommends a two-pronged approach, which combines increasing standardisation and electronic retrieval of information, with the mapping and organisation of funding advisers.**

Electronic Information

- 24 Most Government Departments and other funding agencies put information about their funding streams on their websites. But the diverse ways in which information is set out on existing websites mean that existing search engines cannot possibly provide comprehensive answers to search requests. One solution to this problem is the setting up of a database that will feed a number of specialist web sites. The Active Community Unit of the Home Office is currently developing a website on grants for voluntary organisations, which is expected to rely on the development of such a database.
- 25 In the longer term, however, the technology allows data to be "tagged" might be applied to information about funding using an agreed, and publicised, range of headings. Coupled with appropriate search facilities, this will assist people in navigating through the mass of funding information, enabling them to locate the appropriate data more easily.
- 26 Access to technology is frequently cited as a potential barrier to voluntary and community sector access / involvement. However, a recent survey by the ACU states that 95% of organisations surveyed have access to technology. The other 5% may well have access through community facilities like libraries but might be unaware of such provision.

Funding advice

- 27 By setting up a framework for funding advice networks, the funding advisers who already exist will be made more accessible to those seeking their help. The framework would also enable the provision of information and training; opportunities to learn from each other; and, in the longer term, help to achieve a standard level of quality in their services.
- 28 A body should be responsible at regional level for ensuring that local support networks are in place and are supplying quality information efficiently. The most appropriate bodies are the Government Offices.

Applying for Funds

- 29 Application Forms are often very complex and require a significant investment in time and resource to complete well. Much time and resource is wasted through speculative or repeat bidding. The risk is that funding goes to those who are expert in completing forms or who can afford consultants to help them, rather than to good quality projects with a track record of successful delivery.
- 30 Unclear guidance and indiscriminate invitations to bid also encourage "goal deflection" where service providers spend increasing effort chasing available funding whether directly relevant to their original mission or not. This can place organisations under considerable stress as they continuously adjust their mission, structure and programme of work to enhance their chances of securing funding.
- 31 Guidance for funders will be developed. This will cover:**
- a simplified guide to the government accounting manual
 - advice on the guidance that should be offered to applicants and other good practice
 - standardised terminology and information categories
 - A two stage application process (wherever possible) – a short outline bid then a detailed bid if the outline bid is successful
 - A sample standardised application form with a common "front end" to application forms which can be reused.
 - Common definitions and terminology to be used by funders – for example in Terms and Conditions, Budget Headings etc.
 - Best practice in monitoring & evaluation and audit arrangements, including "passporting" and risk assessment (see below).
- 32 The RCU was asked to consider the development of an accreditation programme. Consideration has been given to the development of accreditation that would take into account the enormous differences in size and type of organisation engaged in delivering regeneration initiatives. Various quality assurance programmes were considered to identify features that could be mapped across to a single accreditation programme.
- 33 There are considerable difficulties with accreditation. It is considered to be well nigh impossible to ensure that all public sector funding agencies work to the same accreditation programme. Prioritising accreditation by a single body would not necessarily ease the already burdensome regulatory environment faced by service providers, many of whom are subject to charity law and company law as well as the requirements of multiple funding agencies which may in turn insist on different accreditation programmes (disguised accreditation programmes exist in the shape of criteria for determining access to approved lists of bidders). An official accreditation programme set up by central government could well provoke a backlash from voluntary sector organisations fiercely protective of their independence from Government and already concerned about the loss of independence.

- 34 **It is therefore recommended that rather than a general accreditation programme, organisations are encouraged to demonstrate that they have "good corporate governance".** The RCU is exploring whether a framework could be developed and recommended to both funding agencies and service providers. Service providers would be free within such a framework to determine which quality assurance standard best met their own needs and circumstances. Consideration should be given by funding agencies to including a good corporate governance framework as part of funding agreements in place of more detailed requirements intended to ensure quality.
- 35 **Instead of accreditation, an electronic registry should be put in place to ease the burden on service providers seeking to make funding applications and to enable the "passporting" of information between funding agencies.** Such a registry will facilitate:
- The sharing of common information required by funding agencies e.g. audited accounts, constitution / memorandum and articles of association etc. This will allow one funding agency to undertake an inspection and have its findings made available to, and relied upon, by other funding agencies.
 - The distribution of information about funding (and other matters) to organisations selected by theme and / or geography.
 - Replacement of existing databases of service providers used by public and other agencies for contact purposes.
- 36 The registry will record basic organisational data (providers themselves will be responsible for providing up to date information) and also information which is requested repeatedly by funding agencies such as constitutions, audited accounts, etc, which could then be accessed directly by funders. The database would have the facility for "hidden fields" so that access to sensitive information could be restricted to selected bodies only (as well as the service provider).
- 37 **Each funding agency should, as part of their work to address the government's e-business targets for 2005, develop e-business arrangements** which will enable electronic application forms be supplied, completed and returned as well as the subsequent electronic administration of funding agreements. The RCU will seek to develop arrangements for the administration of Community Chest funds as a demonstration model.

Priorities for Funding

- 38 Good management of funding arrangements is resource intensive and best results are achieved when funding agencies work with applicants before they fill in an application form (this is particularly pertinent given that applicants most in need of funding may find application forms particularly difficult). Guidance to applicants accompanying application forms should also make clear what sort of project / organisation is most likely to be successful. Such guidance should include a clear indication

of the priorities of the funding agency. However, this gives rise to a further problem.

- 39 The fragmentation, duplication and general lack of strategic co-ordination that has befallen many neighbourhoods coping with multiple deprivation, multiple partnerships and multiple Area Based Initiatives, has led to concerns about the potential for conflicting priorities to shape regeneration funding allocations. Local Strategic Partnerships (LSPs) have been set up to determine strategic priorities for their area, and within that they will have to work out how different funding streams can be made to work better together. However, service providers still find themselves having to respond to priorities determined by their LSP, their own users, the regional priorities for European structural funds and funding agencies like local regeneration partnerships, the local Employment Service and the local Learning and Skills Council (LLSC).
- 40 DfES has put in place co-financing arrangements whereby some European Social Funds are channelled through LLSCs which provide the match-funding required. This is welcomed by many local service providers, especially voluntary and community groups that have had to invest significant effort into securing match-funding. However, there are concerns that these arrangements might skew the allocations by the LLSCs in favour of their own priorities rather than a balanced set of priorities including those of the LSP. **It is therefore recommended that co-financing arrangements are reviewed by DfES** to ensure that the multiple sets of priorities are, wherever possible, complementary and fit the overall strategic direction determined by the LSP.

Funding Terms & Conditions

- 41 The Government Accounting (GA) manual is a lengthy document giving guidance on how to manage and account for public funds. Departments use it as they develop funding regimes. Government Accounting leaves the onus for the appropriate application of the rules on Departments, given their accountability for the public money they allocate. It is therefore up to Departments to interpret the rules as they see fit. The study concludes that this may result in Departments taking an overly cautious approach to the application of the GA rules, and this gives rise to some of the difficulties identified in the design and applications of the funding programmes.
- 42 There are four types of funding agreement:
- Grant in aid
 - Grants
 - Contracts
 - Service level agreements
- 43 There is some inconsistency in the way in which the first of these three forms of legal agreement are used. (Service level agreements are inappropriate for agreements between two separate legal entities). It would therefore be helpful for Departments to have clearer guidance about which type of funding agreement was appropriate for different situations.

- 44 There are many hundreds, if not thousands of agencies engaged in distributing regeneration funds. These include Government Offices, Regional Development Agencies, Local Authorities, Regeneration Partnerships, Employment Service Regional Offices, LLSCs, New Deal for Communities agencies, and many others. Each is required to work to rules and regulations imposed by agencies further up the funding chain. Those agencies that do determine the terms and conditions do so within the broad guidelines set in Government Accounting.
- 45 At the point at which funds finally reach a local service provider, there is often significant variation in the terms and conditions required by different funders for different grant schemes. This can be exacerbated by the fact that many service providers have multiple income streams, to reduce risk from over-dependence on any one agency / funding stream and to achieve the synergies in regeneration that are sometimes a condition imposed by funding agencies (match-funding requirements for example).

Guidance

- 46 As a contribution to this study, HM Treasury working closely with the National Audit Office, has begun work on simplified guidance to the Government Accounting manual. Not only will this aid understanding of what should be done and in what circumstances, it will also help to identify more clearly the rules which, in their application, undermine the efficient and effective use of public funding. HMT has agreed to review such rules once identified to see if any flexibility would be possible. The RCU review team, working with HMT and NAO, is taking this work forward.
- 47 Guidance to funders should highlight the scope for flexibility as an aid to funders and grant recipients. The guidance should include:
- Good practice on monitoring and/or measuring the success of a project (for instance the use of measurable outcomes rather than outputs that focus on process);
 - A requirement for an agreement on what data will be needed for monitoring purposes with applicants before projects are started;
 - Recommendations on the frequency for updating terms and conditions, and on who should be consulted as part of this process (e.g. recipients of funding, auditors, evaluators);
 - The inclusion of a right of access for the external auditors of the funding body, in a manner consistent with the Government's response to the Sharman Review of Audit and Accountability for Central Government;
 - Advice on the flexibilities in the requirements for match funding;
 - Agreement on shared terms and conditions with other funders where projects or activities are funded by more than one funding stream. This would be facilitated by guidance on the use of standard definitions, and standard budget headings;

- o Measures to protect against double funding. These could include, as appropriate: proper separation of project accounts within the grant recipient's annual accounts, recording expenditure and funding for each project; a note to the grant recipient's annual accounts, detailing project expenditure and funding by source (which would then fall to be audited); and clarity on what double funding constitutes and a blanket statement to the effect that double funding is fraudulent and may well lead to prosecution as well as the termination of funding agreements.
- 48 Once completed, the guidance will enable new programmes to be designed with a full appreciation of the requirements that must be met, the flexibilities that are allowed and best practice. The guidance will recommend that funding agencies adopt arrangements that are proportionate to the size of organisation and to the amount of funding and adopt a "light touch" to contract / grant administration based on an informed assessment of risk. Auditors should also apply these principles.

Payment In Arrears

- 49 Payment in arrears, payment in advance of expenditure and payment in advance of need are three terms widely used and, it would seem, widely misunderstood, with sometimes devastating consequences for the cashflow of small to medium service providers. Many organisations have reported that much regeneration funding has been paid in arrears, for outputs after they have been achieved. This leads to organisations having to finance service delivery often at a high cost. Such financing costs are greater than those that would be incurred by the Treasury and therefore reduce the overall efficiency and effectiveness in the use of public funds.
- 50 Accounting rules allow for payment to be made at the point at which need arises. This always coincides with the commencement of service delivery and so payment in arrears need not happen. Profile payments now being introduced by DfES and DWP go part way towards addressing this but still leave problems where there is a call-down contract and volumes are consequently uncertain.
- 51 **It is recommended that contracts be accompanied by a retainer payment.** This is common practice in the private sector and ensures that capacity to deliver is "retained" by the service provider. This is just one of the several options that it is recommended should be considered by funding agencies as a response to requests for core-funding which is repeatedly raised by voluntary and community groups as critical to their future viability.

Core Funding

- 52 This is a complex issue and it is not clear that providing core funding is always necessary or appropriate. What exactly constitutes core funding is unclear as is which category of organisations should receive such funding. As much regeneration service provision is undertaken by organisations from various sectors (including private, profit making companies), it is difficult to establish a clear proposal capable of being implemented. However, some service providers, for example FE

colleges, Universities and Local Authorities all have access to funding for capital, overheads and other items which collectively make for an "uneven playing field".

- 53 Nonetheless, **most service providers should be able to roll their core costs into unit costs for outputs ("full cost recovery")**. This depends however on funding agencies allowing full project funding – in which all reasonable associated costs are met as part of the agreement.
- 54 Other measures which could reduce the demand for core funding include:
- Allowing the retention of surpluses – "if the private sector is allowed to, why not voluntary organisations?" as one official described it
 - Research & Development / Innovation funds should be made available to enable the development of new services and / or new organisations.
- 55 In addition to the alternative approaches to core funding identified above, **the study found considerable support for the development of an investment approach to funding** with contract managers acting as investment managers where they work to develop:
- New services – where necessary
 - New organisations (service providers) – where there is a gap
 - Sustainability for local service providers regarded by their RDA as being of strategic importance to regeneration.

Discussions with the Treasury are continuing to explore whether such funding methods would be possible within Government Accounting rules.

Monitoring / Inspections

- 56 Service providers in receipt of public sector funding are likely to be subject to ongoing monitoring, and periodic review and evaluation, by funders. In addition they may also be subject to inspection or review by internal and external auditors of the funding body. These inspection and review activities are likely to be geared towards obtaining assurance about regularity, propriety and VFM. This focus, and the need for such activities, do not stem only from Government Accounting but from good management.
- 57 But this still leaves plenty of room for funders' discretion as to how this is achieved. This can result in heavy-handed regimes, which may, in their application, have consequences that are not always understood by funding agencies. It was also suggested to the study team that some of those responsible for designing and developing funding arrangements may make generalised assumptions about risk based on institutional form and / or size of organisation.
- 58 There is little evidence that existing arrangements help either prevent or detect double-counting / double-funding of outputs. Some funding agencies are reported to find the costs of contract management so excessive that they cannot implement fully the arrangements in place.
- 59 Each accounting officer is required to put in place arrangements to ensure that the requirements described above are fulfilled. This inevitably leads to significant duplication, especially where service providers take advantage of multiple funding streams from different public sector agencies.

Lead agency

- 60 **Detailed arrangements should be put in place to enable the concept of a lead funder and common inspection framework.** The lead agency should undertake monitoring and inspection visits on behalf of other funders to reduce the administrative burden on both funding agencies and funding recipients.
- 61 These arrangements should include:
- A clear indication of what service providers can expect in the monitoring of their projects, including the use of common monitoring returns for related projects, where appropriate.
 - Protocols (developed by HMT, funding bodies and external auditors) to guide the way in which auditors' access rights will be exercised to minimise the burden of inspections.
 - Advice to the effect that funding bodies should not be dissuaded from developing risk-based and innovative ways to design and administer funding regimes by the perceived threat of audit criticism. (They should note that the NAO supports well-managed risk taking which benefits the taxpayer).
- 62 DfES has already begun work on a common inspection framework as part of an initiative to improve arrangements with service providers called "Getting The Best From Each Other"

- 63 The "passporting" arrangements described above should be extended to include the concept of a single lead programme auditor. We are aware that initiatives have been undertaken in the past whereby an inspection by one funding body has been accepted, at least in part, by another body, obviating a need for a further visit by that body. This has been called the "Single Lead Auditor" approach. There may be resistance from Government Departments to this approach as they may feel that without personally inspecting the use to which their funds are put, there is a greater risk that their Accounting Officer will be exposed. However, we have consulted with National Audit Office and are aware that they are not averse in principle to this approach being taken. Consultation is taking place with the Treasury about whether this requires a change in the rules to allow one Accounting Officer accept arrangements put in place by other Accounting Officers where the issues addressed are common to both.
- 64 Given the role of Regional Development Agencies in regeneration and their greater proximity to local service providers (than central government departments), it is recommended that wherever possible, they take the lead funding agency role and be resourced to do so.**

Implementation

- 65 Much of the ground covered by this study has been covered to some extent by previous reports and initiatives. Examples include the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector, the Compact between Government and the voluntary sector and its associated codes of practice and others.
- 66 There is a similar risk that the work undertaken as a consequence of this study to provide better guidance to the requirements of the Government Accounting manual, and guidance to funders on how to simplify and harmonise their arrangements might not have the intended impact. It is important to regain the trust and confidence of service providers, who seem to believe that Government neither understands nor cares about the consequences of past failures. We believe this is because Departments are reluctant to change established procedures (which can be expensive and time-consuming) and there has been no dedicated body with the responsibility and power to drive through the recommended change.
- 67 It is therefore recommended that a dedicated team be set up for an initial two year period to:**
- Assist government departments and other principal public sector funding agencies to design new funding programmes and review existing arrangements
 - Offer advice on risk management and proportionality
 - Undertake post-implementation evaluation to identify any barriers to success, steps to be taken to deal with these.
- 68 The Implementation Unit should have one or two permanent officials drawn from the National Audit Office/ Office of Government Commerce / HM Treasury accounting team supplemented by an official from each department being assisted in turn.



Barbara Roche MP
Minister of State
Minister for Women

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DEPUTY PRIME MINISTER

cc. Mavis McDonald
Chris Leslie
Rob Smith

REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT

Background and Summary

1. In spring this year the Prime Minister wrote to your office asking the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. The Prime Minister was aware of criticisms from voluntary and community groups that the present system was complex and difficult to access, and that as a result valuable social activity could be delayed or abandoned. You commissioned the study from the RCU.
2. The RCU has been working with representatives from the Voluntary and Community Sector, and with officials from across Government, over the last few months to develop recommendations for change in the way funding is organised and accessed. The team has kept me informed of progress throughout and I have taken a close interest in the emerging findings and conclusions. A tremendous amount of work has been done, and there are some strong recommendations which have the potential to achieve real improvements.
3. I have been particularly struck by the fact that many of the issues considered have been covered by previous reports, for example the Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998). However, little change has subsequently occurred on the ground. I am therefore acutely aware that the key to wider and genuine change among Government funders will be the implementation arrangements.
4. Thus a central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the proposed *Guidance to Funders* and the other changes we propose. I believe this is critical to the effective involvement of voluntary organisations in regeneration programmes and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.



5. The team's interim report is attached at Annex A. I recently held a meeting with a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Key Problems and Recommendations

6. I set out below a summary of what the team believes are the key practical problems that groups face when trying to access funding for social projects, followed by the solutions proposed in the report.

(i) Information on Funding

Problem: Information on funding is not always easily available or comprehensible to potential applicants. Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding. Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

(ii) Application Processes

Problem: Application processes are often too long and complex. People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria were not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM by wasting the resource of the funded body in complying with them.

Solution: A new and comprehensive Guidance to Funders package will be developed, detailing how to set up (or adapt existing) funding streams to ensure maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will however need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" below).

(iii) Payment Arrangements

Problem: Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, simplified guidance to the Government Accounting Manual, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

(iv) Monitoring and Evaluation arrangements

Problem: Monitoring and evaluation arrangements are often duplicated, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every week from one funder or another.

Solution: Introduction of a "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

(v) Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by greater use of modern technology in administering funds - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: Promotion and demonstration of wider use of interactive technology in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)

Next Steps

7. Some of these recommendations are already being taken forward. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model, and the Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. The RCU has made a start on the Guidance to Funders.

8. The study timetable has been adjusted so that the recommendations can be considered alongside the SR2002 cross-cutting review which is considering the role of the voluntary sector as service providers. The cross-cutting review aims to report early in the New Year. The RCU will work closely with the cross-cutting team to ensure a joined-up set of conclusions from the two exercises, and so that the recommendations from both studies, particularly their resource implications, can be taken forward through the SR2002 process. This will further help to ensure the implementation of the

proposals. I have agreed this revised approach with Mavis McDonald, who is leading the SR2002 review at official level.

9. If you are content, I propose that you should send the interim report to the Prime Minister, along with a letter giving a summary of the findings and outlining the revised reporting arrangements. I attach a draft letter at Annex B.

Yasere
B. Bue

BR

10 December 2001

Turner Christian - Barbara Roche's Office -

From: Turner Christian - Barbara Roche's Office - on behalf of PS Barbara Roche
Sent: 10 December 2001 18:48
To: 'Andrew DICK'
Cc: MODU, Amobi - RCU -; McDonald Mavis - Perm Sec -; PS DPM; Morys Simon - PIU -; JOe.montgomery@dtlr.gsi.gov.uk; WELLS, Andrew - RCU -; SMITH, Rob - RCU -; Ann.taggart@hm-treasury.gsi.gov.uk; Helene.radcliffe@hm-treasury.gsi.gov.uk; LUCy.degroot@hm-treasury.gsi.gov.uk; Martin.wheatley@hm-treasury.gsi.gov.uk; Mike.Emmerich@hm-treasury.gsi.gov.uk; nacton@no10.x.gsi.gov.uk; Lincoln Deborah; Livesey Mark - Baroness Morgans Office -
Subject: RE: RCU Review of Funding: New Draft Letters Accompanying Interim Report



DPM - Regeneration
Funding Stu...

Andrew / Amobi

Thanks. BR has sent a slightly amended version of the minute to the DPM, along with amended version of the letter from DPM to PM, as attached. Hard copy follows to you only.

Christian

-----Original Message-----

From: Andrew DICK [mailto:ANDREW.DICK.RCU@go-regions.gsi.gov.uk]
Sent: 10 December 2001 16:24
To: Mavis.mcdonald@cabinet-office.x.gsi.gov.uk;
PSdpm@cabinet-office.x.gsi.gov.uk;
Simon.Morys@cabinet-office.x.gsi.gov.uk; JOe.montgomery@dtlr.gsi.gov.uk;
Andrew WELLS; Rob SMITH; Ann.taggart@hm-treasury.gsi.gov.uk;
Helene.radcliffe@hm-treasury.gsi.gov.uk;
LUCy.degroot@hm-treasury.gsi.gov.uk;
Martin.wheatley@hm-treasury.gsi.gov.uk;
Mike.Emmerich@hm-treasury.gsi.gov.uk; nacton@no10.x.gsi.gov.uk
Cc: Christian.Turner@cabinet-office.x.gsi.gov.uk; Amobi MODU
Subject: RCU Review of Funding: New Draft Letters Accompanying Interim Report

Attached please find the submission that went to PS/Barbara Roche on Friday, along with 2 new draft letters (from Barbara Roche to DPM, and from DPM to PM), replacing those submitted with the Interim Report on the RCU Review of Funding on 20 November. The submission explains the reason for the redrafts.

There are no changes to the Interim Report itself, which remains as in the version submitted on 20 November.

Andrew Dick
020 7217 3324

DRAFT MINUTE FROM DPM TO PRIME MINISTER

REVIEW OF ACCESS TO REGENERATION FUNDING: INTERIM REPORT

Summary

In May this year you wrote asking the Regional Co-ordination Unit (RCU) to lead a study looking at how the system of regeneration and community funding could be made more comprehensible and user-friendly. I am attaching the interim findings, which will be fed into the Spending Review Cross-Cutter on the voluntary sector, before a final report is produced in the early Spring.

Following much work officials from across Government, representatives from the voluntary sector, and Barbara Roche, the RCU has produced an interim report (attached) summarising its findings. It sets out recommendations for change to make funding easier to access by voluntary and community groups. The focus is on realistic, practical, changes that will make a meaningful difference to the many thousands of voluntary and other organisations that deliver regeneration projects in their communities.

It proposes improvements in the way information on funding is provided; greater simplification and harmonisation of funding arrangements to reduce bureaucracy; and greater use of ICT to facilitate and speed up access to funds. The overall impact will be to ensure that funds are more easily secured and used effectively.

At our meeting on 22nd December when we discussed Neighbourhood Renewal, we considered the scope for further work on the complex maze of funding streams. This is being partly addressed through the RCU review of Area Based Initiatives, which is focusing on improving delivery on the ground through a variety of measures including pooling budgets at the local level. There will be links between the ABI review, the Regeneration Funding Study and the work DTLR is leading to reduce the number of local plans and partnerships.

To ensure effective implementation, these findings now need to dovetail with the work of the Spending Review Cross-Cutter on the voluntary sector. The agreed recommendations from both studies, and particularly their resource implications, can then be taken forward as part of the main SR2002 process. Subject to that, it is proposed that a team is set up at the heart of Government to drive the changes through.

Background

There has been widespread criticism from voluntary and community groups (and others) that the present system of funding is complex and difficult to access. As a result valuable social and regenerative activity may be delayed or abandoned. You

commissioned the RCU study to address these problems. The RCU has conducted almost 100 interviews and meetings, and worked with representatives from the Voluntary and Community Sector, and with officials from across Government, to develop recommendations for change in the way funding is organised and accessed.

Key Problems and Recommendations

Early on, the team took the view that there was little mileage in simply producing another set of principles defining how funders should conduct themselves in relation to those that they fund. While worthy, this has been done before, and little has actually changed on the ground. The complaints remain: application processes are over-complicated; monitoring arrangements are burdensome; each funder differs in the records they want kept. The team wanted to look at the situation from the point of view of those seeking funding, and establish what would really make a difference to those on the ground - practical measures that would encourage those with good ideas to seek funding. Representatives from the target sector and from funders were involved throughout to ensure that the problems were correctly identified and the solutions workable and welcome.

That said, the difficulties in making change in this area should not be underestimated. Funders will in reality usually resist change. This is understandable: they will have invested resource in their current systems and will need incentive to undergo the disruption that changing them will entail. Implementation will therefore be key. The key practical problems that groups face when trying to access funding for social projects, and the solutions proposed in the report are as follows:

(i) Information on Funding

Problem: Information on funding is not always easily available or comprehensible to potential applicants. Those with good ideas may not realise that funding is available, or give up trying to fight their way through the funding maze.

Solutions: A key role for Government Offices in ensuring the availability of good quality information, advice and guidance on funding. Some areas are in fact already well-served with funding advice networks, but by no means all. Government Offices will identify where gaps exist, and have them filled. A central source of electronic information on funding opportunities will be established.

(ii) Application Processes

Problem: Application processes are often too long and complex. People are put off applying, or have to provide pointless information. Service providers waste effort developing speculative bids, because the success criteria were not made clear. Terms & conditions attached to funding arrangements can be unnecessarily onerous and can undermine VFM by wasting the resource of the funded body in complying with them.

Solution: A new and comprehensive Guidance to Funders package will be developed, detailing how to set up (or adapt existing) funding streams to ensure

maximum simplification of the arrangements imposed on applicants, and to ensure harmonised arrangements between funders. Nothing like this exists at present and funders tend to invent their arrangements from scratch when a new fund is set up. (There will however need to be a body responsible for ensuring compliance with this guidance - see "Making it Happen" below).

(iii) Payment Arrangements

Problem: Payment arrangements are applied inconsistently and can undermine the financial viability of organisations as well as increasing costs, thus reducing the efficient use of public funds. Payment in arrears, for example, means many organisations have to pay hefty interest payments while they wait for funds to come through.

Solution: The Guidance to Funders mentioned above will include, or be supplemented by, simplified guidance to the Government Accounting Manual, drawn up in conjunction with Treasury and other interested parties. This will clarify how payment should be made, and overcome the response often heard from funders that the complexity and content of their payment arrangements reflect Treasury requirements. This is usually a myth.

(iv) Monitoring and Evaluation arrangements

Problem: Monitoring and evaluation arrangements are often duplicated, and can be heavy-handed, leading to excessive and time-wasting bureaucracy for both government and service providers. One multi-funded organisation, for example, reported that they had an inspection virtually every week from one funder or another.

Solution: Introduction of a "lead funder" concept - where one funder arranges monitoring, inspection and auditing of the funded body, and provides this information to other funders. General good practice in this area will also be covered in the Guidance to Funders.

(v) Use of Technology

Problem: Resources could be saved, and bureaucracy reduced, by greater use of modern technology in administering funds - in particular, requirements to repeatedly provide the same information to different funders wastes organisational resource.

Solution: Promotion and demonstration of wider use of interactive technology in the administration of funding streams. Specifically, development of an electronic registry of service providers so that certain information (constitution, accounts etc) is not repeatedly sought from funded bodies by different funders. (This would also enable funding information to be targeted at particular service providers.)

Making it Happen

The RCU team was particularly struck by the fact that many of these areas have been covered by previous studies and reports, and in many cases similar solutions were proposed. The Better Regulation Task Force Report on Access to Government Funding for the Voluntary Sector (1998), for example, covered some of this territory. However, little change subsequently occurred on the ground. We cannot rely on funders themselves to implement proposed changes unaided. Most will be unwilling to change established practices and systems - this is why previous similar proposals have failed at the action stage. Properly planned implementation is key.

To this end, the central and overarching recommendation from the review is that a small team is established at the heart of Government with responsibility for working with Departments to implement the Guidance to Funders and the other changes we propose. The team would have a limited life span (2-3 years), disbanding when its objectives had been achieved. It will need to have the power and authority to require that funders make the changes proposed. I believe this is critical to the success of the project and therefore the effective involvement of voluntary organisations in regeneration programmes - and consequently the successful delivery of Government policy on both community involvement and diversity in service provision.

Response from the Voluntary & Community Sector

The team is confident that the report's recommendations reflect the concerns of the sector. Throughout the review the team has involved representatives of the target sector, through interviews, consultation exercises, written exchanges, and their participation in the various reference and working groups set up by the team to consider particular issues. They also took into account the findings of two related consultation exercises conducted by DfES and the Home Office. Further, Barbara Roche recently held a meeting with a small sample of voluntary organisations to "reality check" the study findings and emerging recommendations. The groups responded enthusiastically and recognised that this study could make a real difference to delivery on the ground.

Update and Next Steps

A start has already been made in some of the areas covered by the report. The RCU is making arrangements for a small e-business project across Government Offices as a demonstration model. The Active Community Unit in the Home Office is in the process of setting up a website to provide a central source of funding information to voluntary and community groups. Production of Guidance to Funders - including simplified guidance to Treasury rules - is underway.

The Spending Review Cross-cutter on the Voluntary Sector also provides a timely vehicle for adding impetus to implementation of those RCU recommendations which are in its ambit. The timetable for the RCU study has therefore been adjusted to align with that of the cross-cutter.

I am sending you this interim report so that, if you are content with its conclusions, I can arrange for them to be presented to members of DA and the Ministerial Group overseeing the cross-cutter. The RCU will then work closely with the cross-cutter team to ensure a joined-up set of conclusions from the two exercises, whose implications, particularly for resources, can be taken forward as part of the main SR2002 process.

A final report of the RCU study will be completed and sent to you early in the New Year. This allows for the first stage of the Cross-cutter to be concluded and comments from colleagues across Government on the interim report to be taken into account. I should be grateful if you would indicate whether you are content with the interim report and with the handling arrangements set out above.

I am copying this to members of DA and to Sir Richard Wilson, for their information.

From: Alasdair McGowan
Date: 9 January 2002

PRIME MINISTER

Cc: Jeremy Heywood
Sally Morgan
Alastair Campbell
Andrew Adonis
Robert Hill
Geoffrey Norris
Mike Emmerich
Clare Sumner
Simon Virley

REGIONAL GOVERNMENT WHITE PAPER

You have a key meeting with JP on regions on Tuesday. We understand that he is now reluctantly prepared to move to our position on local government and is looking for agreement to move forward on that basis. We should of course reserve our position in terms of the detail of the White Paper, but we should use Tuesday's meeting to close the deal with JP on unitary local government and functions.

Powers/functions

JP has more or less agreed with Cabinet colleagues the functions for regional assemblies. They will be responsible for preparing a range of regional strategies covering economic development, planning, transport, housing, employment and skills, sustainable development and culture. They will sponsor the RDAs, with safeguards for central government and business interests. This package is comparable with London.

You had previously expressed concern about not tying up frontline delivery units in extra bureaucracy. I have attached for your information JP's proposals for education and health. He has assured us that while there would be a link between the LSCs and the economic development work done by assemblies through the RDAs, there will be no role or ability to interfere in the direct provision of education at any level – schools, colleges or universities.

Nor would they have any role in relation to hospitals, GPs or any other aspects of the direct delivery of healthcare. Assemblies would have a general duty to

promote public health in the exercise of its own functions. The one outstanding area where we need to press JP is on his proposed scrutiny role for health policies but not health services. This should be easy enough to weed out.

All in all, this is very much a minimalist model for regional assemblies which I think we can live with. Are you content to agree to JP's package of functions on that basis?

✓

Local Government

In order to get agreement to move forward to assemblies, JP is now ready to agree to our proposal for local government reorganisation. This is as follows:

- Once the Government had decided that a referendum should be held in any region (on the basis of one of the trigger options discussed below), the Electoral Commission would conduct a review of the local government structure in the region before any referendum.
- The Electoral Commission would be tasked with producing proposals for 100% unitary government in the region with no exceptions. Ministers would provide direction on this and other issues such as timetable (JP is proposing around six months), the scope of the review (i.e. it should cover only those areas which are still two-tier, although there may be a case for extending existing unitary boundaries), and its need to command broad popular consent in the region.
- The detailed boundaries would be a matter for the Electoral Commission to propose. Ministers would then have the power to agree or amend these proposals. Once agreed, they would be included in a summary of the Government's proposals to be published before any referendum, so that voters would know the implications of a 'yes' vote. If there was a 'no' vote, the local government restructuring proposals would not be implemented.

JP and DTLR Ministers may ask that we leave open the possibility of exceptions to the 100% rule - particularly, if there is strong local opposition to unitaries. My strong view would be that we should not publicly admit any exceptions on the basis that special pleading will mean that any exceptions will soon become the rule. The ability of Ministers to amend proposals should they fail to command broad popular consent within the region should give us sufficient flexibility if we need a fallback position.

The advantages of this policy is that voters would see clearly and up front the implications of a yes vote for their local authority. We would have clearly addressed the inevitable Opposition criticism that we are creating an extra tier of government.

We may face criticism from supporters of two tier government that we are abolishing the districts – but we can respond to this firstly by saying that people ultimately have a vote on whether or not they want reorganisation; and if necessary, we could specify that we would require any new authorities to produce decentralisation plans.

We can also expect to be attacked by many in the pro-regional government lobby both within the PLP and the wider country who will view our policy as a wrecking tactic. They will also claim that we are going beyond our Manifesto commitment which talked only of ‘predominantly unitary local government’.

But we can deploy strong counter arguments that failure to tackle the extra tier argument would be more likely to wreck the policy – and we may be able to cover ourselves in terms of the Manifesto commitment with our policy on triggers for referenda.

Triggers for referenda

There are two main options here:

Option 1 – the predominantly unitary local government threshold

We could simply rule out referenda for those regions below a threshold of 65% unitary local government – i.e. those with predominantly unitary local government. This would mean that we would only consider referenda in the North East, the North West, and Yorkshire and Humberside. Ministers would then consult the regional chambers, local authorities and the public in these three regions to see if there was demand for a referendum.

The advantages of this option would be that we would retain complete control over the referenda process – but we would need to be firm with JP that there could be no question of this threshold disappearing over time, and we should demand a clear signal in the White Paper that we would only expect the North

East to go first. Crucially, it also helps us to square the circle on the Manifesto commitment.

The main disadvantage of this proposal is that it is hard to defend intellectually a trigger which is based not on demand for regional government but on historical accident. Those regions below the threshold will cry foul especially because they would have no means of 'getting to first base' in terms of being a candidate for referenda. We could just about argue that Ministerial consultations with the regions would mean that our policy is based on demand, but that the scale of the upheaval involved in local government reorganisation is also a relevant factor. But this is harder to defend in the case of the one region close to that threshold - namely, the West Midlands which has 60% unitary local government. One could lower the threshold to 60% but we would then be widening the net to four out of nine regions.

I am assuming that your position on this is 'the fewer the better'. Is this right?

yes

Option 2 - A 5% petition

An alternative option would be to make the trigger for all regions a petition of 5% of the regional electorate. This would mean that we only had referenda where there was clear and objectively demonstrable local demand. This hurdle would be low enough for the North East to clear without delay to the timetable - JP's main concern - but high enough to prevent referenda in the southern regions.

Its main advantage is that it is much easier to defend intellectually as it is demand-based. However, it means that it will be harder for us to argue that we are sticking to the letter of the Manifesto commitment. And we will have less control over the process.

At the last meeting of CNR, Cabinet colleagues were more attracted to Option 1 as was JP. Option 1 is not ideal - and not easy to defend - but probably the best option in terms of retaining control over the process. I'm assuming this is your main priority.

Do you have any views on this?

no.

Timing

I attach an indicative timeline for our preferred option prepared by JP's office which shows that the Assembly would not assume its powers until after the new local authority structure was implemented.

Our policy will mean delay both to the timing of the referendum and the establishment of any assembly. This will anger the pro-regional government lobby. But JP's ultimate aim is a referendum in at least one region by the end of the Parliament. He therefore wants to ensure that we are seen to be making progress with a Referendums Bill in the next Session.

Given that the White Paper will be interpreted as signalling an end to the districts, publication should be delayed until after the local elections in May at the earliest. If JP can be assured of a slot for a paving Referendums Bill in the next session, he should agree to this.

JP's current timetable suggests a referendum is only possible by October 2004. However, he is keen to get a referendum as early as possible and would prefer one in the North East at the same time as the 2004 European elections.

This would help to maximise turnout and would increase the likelihood of a positive referendum vote but it may not be possible to achieve. The alternative is to hold a referendum in October. However, while I expect you would prefer later rather than sooner, you may judge that this is too close to a possible General Election. The timing of any referendum on the Euro is of course a huge factor.

Do you have any initial views on this?

*No. Just
delay it.*

Conclusion

While I know you continue to have serious reservations about regional assemblies, if you judge that you wish to keep JP politically on board and are prepared to agree to this subject to conditions, this is probably about the best deal we will get out of JP.

We should therefore use the meeting on Tuesday to close the deal before he changes his mind. We would be in effect giving JP the green light to proceed with regional assemblies but we would of course reserve our position on the

details of the White Paper - particularly on issues such as funding, the electoral system, constitution etc.

Are you content to proceed on this basis?

Alasdair

ALASDAIR MCGOWAN

Yes but once it is clear that Counties will have to disappear, there will be a sharp reaction even in the XI-E.

RESTRICTED - POLICY

Timetable with local government structure review

	A. Electoral Commission produces final recommendations before referendum, under direction from Ministers using new powers
2002 Q2	White Paper published
2002 Q3	
2002 Q4	Referendums and Local Government Structure Review Bill is introduced (Nov)
2003 Q1	Government starts consulting the regional chamber, local authorities and others in the region about whether to hold a referendum (Jan)
2003 Q2	Government announces region(s) that will have a referendum initially (April); Bill enacted (June)
2003 Q3	Commission starts review (July)
2003 Q4	Commission completes review (Dec)
2004 Q1	Government accepts Review Body's recommendations and sets referendum date (Jan); Government publishes summary of its proposals, including the proposed local government structure changes (March)
2004 Q2	Referendum held (Oct)
2004 Q3	
2004 Q4	
2005 Q1	
2005 Q2	General election (May/June??); main Bill introduced and orders for new local government structure made (both July)
2005 Q3	
2005 Q4	
2006 Q1	
2006 Q2	Main Bill enacted (July)
2006 Q3	
2006 Q4	
2007 Q1	
2007 Q2	New local authority structure comes into being (Apr); first assembly elections held (May)
2007 Q3	Assembly assumes its powers (July)
2007 Q4	
2008 Q1	
2008 Q2	

Public Health

The Department of Health envisages that an Assembly should have a strong public health role. **None of the proposals interfere with local health service delivery units or their direct relationship with the Department of Health. The Assembly would have no role in relation to hospitals, general practitioners or any other aspects of the direct delivery of healthcare.**

An Assembly's role would include:

- a duty to promote the health of the population of the region, scrutinising its own policies and strategies to ensure they have a positive impact on public health and the tackling of inequalities, *producing more joined-up and better health outcomes for the region;*
- a duty to support the development and implementation of a health strategy for the region, the responsibility for which will rest with the Department of Health's Regional Director of Public Health, *bringing together partner organisations to identify and implement actions to improve public health and tackle health inequalities;*
- appointing the Regional Director of Public Health as Assembly Health Advisor, to:
 - *strengthen the public health function in the region;*
 - *form a co-ordinated Regional Public Health Group (envisaged in the NHS Plan and "Shifting the Balance of Power") across the Regional Directorate of Health and Social Care, Government Office and Assembly*
 - *ensuring that the Assembly gets proper advice on the role it should be playing in improving health and tackling health inequalities;*
- a scrutiny role for health policies (but not health services, except for one or two clearly defined regional services such as the ambulance service) to *bring together, at a level not possible for local organisations, evidence and experience to address problems and drive improvement in health outcomes and the narrowing of inequalities, particularly by raising the profile of issues of concern to the region but not obvious at a local level. Such issues could include black and minority ethnic health, health issues relating to high levels of unemployment or deprivation in the region, and transport-related issues.*

Assembly responsibilities in the field of transport, economic development and housing, have significant linkages with public health. It is important to ensure that all of these functions, including public health, are tackled in a joined-up manner. The above responsibilities would give Assemblies a positive and pro-active role in promoting public health and equity issues across their region, consistent with the NHS reforms, and reinforce the activities of the Government's Director of Public Health in the region. They build on the arrangements in London, where the Mayor and GLA have similar duties which Department of Health believe have worked well. They are designed not to add bureaucracy but to ensure that, in carrying out their other responsibilities, Assemblies do not cut across the work of the Department of Health.

Learning and Skills/Higher Education

DfES proposals would give Assemblies no role or ability to interfere in the direct provision of education at any level – schools, colleges or universities.

The proposals are focused on the skills, employment and economic development agenda, where there is a strong linkage with other Assembly responsibilities. They recast existing statutory and administrative arrangements for consultation and co-ordination between RDAs and local Learning and Skills Councils (LSCs) with the aim of delivering better economic outcomes for the region.

The package proposed by DfES is:

- an Assembly will appoint one Board member to each of the local LSCs in its region, and be consulted on the other appointments *helping to ensure strong, beneficial links between local LSCs and the Assembly;*
- local LSCs will be under a statutory duty to consult Assemblies in developing their annual plans, and Assemblies will be involved in the process of approving local LSC plans, *helping to ensure a two-way interchange and focusing both organisations on shared goals for economic development in the region;*
- the National Learning and Skills Council will be under a statutory duty to consult Assemblies on its guidance to the local Learning and Skills Councils, *feeding a regional dimension into the LSC's policy implementation;*
- Assemblies will have responsibility for drawing up and organising Frameworks for Regional Employment and Skills Action (presently RDA) *drawing together in partnership the main stakeholders and deliverers in the region;*
- local Learning and Skills Councils will be obliged to have regard to Assembly strategies, including in drawing up their spending plans, *improving regional coherence;* and
- Assemblies will be consulted on bids to the Higher Education Innovation Fund which helps Universities to build their capacity to engage in knowledge transfer and to improve the productivity and competitiveness of small firms, *giving greater coherence between the Fund's actions and the regional economic strategy so that Universities and the ERA/RDA can work in tandem to address the issues.*

These are all issues on which ERA involvement can add value. Their electoral mandate will enable them to bring greater clout to the development of partnership working and to monitoring and implementing the plans and strategies, thus improving delivery.

The proposals will achieve good synergy between the ERA, the RDA, local LSCs and universities in the region and ensure a joining up between these key elements of economic development.

FROM CHARLES FALCONER
MINISTER FOR HOUSING, PLANNING AND REGENERATION



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The Rt Hon John Prescott MP
Cabinet Office
Dover House
Whitehall
LONDON
SW1A 2AS

21 DEC 2001

Dear John

I am writing to seek your approval to consult on our proposals for evaluating progress against the vision for an urban renaissance set out in the Urban White Paper.

The attached draft evaluation strategy has been developed in consultation with other departments and I am grateful for the very constructive comments we have received from your officials. It is intended to make use of a range of indicators already in use for other purposes, thereby avoiding imposing any additional burden on local authorities and communities. It proposes to use a number of indicators based around the 5 themes in the Urban White Paper vision:-

- people shaping the future of their community, supported by strong and truly representative local leaders;
- people living in attractive, well kept towns and cities which use space and buildings well;
- good design and planning which makes it practical to live in a more environmentally sustainable way, with less noise, pollution and traffic congestion;
- towns and cities able to create and share prosperity, investing to help all their citizens reach their full potential; and
- good quality services – health, education, housing, transport, finance, shopping, leisure and protection from crime – that meet the needs of people and businesses wherever they are.

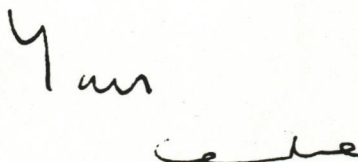
We want to capture changes in the experience of people actually living in towns and cities. What will be most important, therefore, is understanding what is driving the changes which the indicator data will pick up and what impact Government policies and programmes are having. These are, of course, not purely statistical matters but require analysis and research. Initial proposals for both are set out in the draft evaluation strategy attached.

Before committing resources to gathering and interpreting this large amount of data, we need to be sure that our proposals have credibility outside Government because, at the end of the day, people need to be able to recognise, through their own personal experience, any improvements we detect and measure with these indicators.

I aim to consult over a period of 8 weeks from mid-January to mid-March. This shorter than ideal written consultation exercise will be supplemented by a number of seminars we will hold during February, and reflects the fact that we will be targeting only a limited specialist group – the issue under consideration is very much a technical one. However, the consultation document will be more widely available through our website.

The timetable for this exercise is tight if we are to let the necessary contract to gather and interpret the indicator data in time to produce initial results for the Urban Summit we will be holding at the end of October 2002. I should, therefore, be grateful for your urgent agreement to this limited consultation on the evaluation strategy, by Friday 11 January please.

I am copying this letter to the Prime Minister, members of DA(SER) and Sir Richard Wilson.

A handwritten signature in black ink, appearing to read 'Yan' followed by a stylized flourish.

CHARLES FALCONER

**URBAN POLICY UNIT EVALUATION STRATEGY
A CONSULTATION PAPER
DRAFT [18.12.01]**

INTRODUCTION

1. This paper seeks views on proposals for an Evaluation Strategy for the Urban Policy Unit (UPU) of the Department for Transport, Local Government and the Regions (DTLR). The UPU are responsible for overseeing the implementation of the Urban White Paper *Our towns and cities: the future*, published in November 2000, that set out the Government's agenda for an urban renaissance. This consultation paper has been produced in consultation with other Government departments whose programmes and initiatives are relevant to the Urban White Paper

2. It attempts to define what we need to do, why, and how. Briefly, it sets out proposals for measuring changes in our towns and cities, explaining the implications of those changes, and evaluating the impact of Government policies on those changes.

WHY DO WE NEED AN EVALUATION STRATEGY FOR URBAN POLICY?

3. The Urban White Paper set out a broad vision for an urban renaissance that would deliver a better quality of life for everyone in our towns and cities. It also said that we would develop a comprehensive set of key indicators for overall urban analysis and establish and promote a standard set of urban and rural definitions for use in analysis and monitoring. This consultation paper is therefore fulfilling those commitments.

4. Underlying those commitments is the recognition that the Urban White Paper vision marked a departure for government in the way it viewed towns and cities. They are no longer to be seen as just a collection of neighbourhoods or places where individuals or groups of people just happen to live. They are complex 'systems' which are more than the sum of the places and activities they comprise. And what they are like - whether they are good places in which to live, work and invest - depends on the interaction of a huge range of policies, programmes, expenditures and interventions by the public and private sectors, as well as regional, national and international trends.

5. What urban life is like matters for many reasons such as:

- because 80% of the population live in urban areas¹;
- because the major conurbations influence the overall prosperity of their regions and hence of many people living outside their boundaries;
- because a poor quality of life in urban areas leads to more people wanting to leave. That reduces the quality of life even further for those who remain and puts pressure on the countryside.

6. There are many existing indicators, evaluations of many individual programmes and much work by central government and individual local authorities on indicators of economic, social and environment performance. But none of these provides the government with a picture of urban areas across England, how they are changing and

¹ as used in chapter 1 of the Urban White Paper, ie settlements with a population of 10,000 or more

why. We therefore need an Evaluation Strategy which enables us to look at something new:

whether towns, cities and suburbs are offering a high quality of life and opportunity for all

in a new way:

looking at all aspects of life – economic, social and environmental - and allowing comparisons over time and between types of urban area.

7. At the same time, we want to add value and not make work for its own sake. We think this can be achieved by drawing on existing indicators for which data already exist but undertaking new analysis to explain:

- what changes in data mean for people who live and work in towns; and
- what is driving those changes over time.

8. We think that we can add value by undertaking an evaluation of progress towards the White Paper vision of an urban renaissance which adheres to three basic principles:

- i) the urban renaissance is about places where people, not statistics, live and work;
- ii) understanding what change means and why it is happening is more important than just measuring it;
- iii) we should not impose additional burdens of data collection unless it is essential.

WHAT ARE WE TRYING TO EVALUATE?

9. The Government's overall objective, as set out in the Urban White Paper, is to make our towns and cities places where people want to live and work. Significant improvement will be necessary to achieve this in many places. We need to be able to identify whether and how towns and cities are getting better. To do that, we need to be able to measure changes across a wide range of indicators, we need to explain what those measurements actually mean in practice, and we need to be able to identify what factors are driving these changes and the extent to which Government programmes have contributed.

10. This requires us to define or measure several things:-

- What are towns and cities?
- What do we mean by getting better?
- How can we measure this – what indicators do we need?
- What is driving the changes?
- How do we evaluate the impact of the various programmes and policies on any such improvements?
- To what timescales should we be working?

11. Changes in towns and cities are driven by a wide range of different factors – international, national, regional and local. It is always difficult to establish a clear link between these changes and the initiatives that are intended to influence them. Have improvements occurred as a direct result of a particular Government programme, by lucky coincidence, or, even, despite the intervention? It is clear that there will be no single simple explanation for these changes. This Evaluation Strategy is intended to set a framework for tackling these complex issues. It recognises the clear distinction between simply measuring changes and understanding them. And it provides for more in depth research, in a limited number of places, to explore these complex relationships more fully.

WHAT ARE TOWNS AND CITIES?

12. At first sight, this may appear self-evident. However, we need to be clear about the places we wish to focus on, and that requires some form of definition.

13. The Urban White Paper pointed out that 80% of the population of England live in cities and towns of over 10,000 people but that covers only 7% of the land.

14. The White Paper also has a strong focus on how people experience a place. A number of studies have shown that people identify with place in a very flexible way, identifying with areas at different spatial scales for different reasons or at different times. For example, residents will often identify (whether positively or negatively) with their immediate residential neighbourhood; this could be a large estate, an entire suburb, or simply a few streets immediately around their homes. The same people will identify, at other times, with their town centre as their main shopping venue, the source of public services or their place of employment. They may also relate to other areas such as local shopping and service centres, places of employment, other residential areas they visit to see close friends or relatives. This can result in them having an interest in a number of localised parts of a large urban area but, in most cases, the condition of the rest of that town will be of limited if any concern to them.

15. This approach to place presents obvious difficulties in collecting and interpreting data. Moreover, while an individual may feel little interest in a part of the town or city with which they have no direct connection, the state of that part may in fact be crucial to the quality of life in other parts of the town, including their own home or place of work. So, simply looking at a town as perceived by individuals will not give the whole picture.

16. Local authority boundaries will often not accord with concepts of place or individual perceptions. In many cases, a local authority area will include more than one settlement that is a town or city in its own right. In others, it may simply be part of a much wider urban area spanning several local authorities. And travel to work areas, one spatial level to which many people will relate, rarely respect local authority boundaries, with commuting journeys, particularly in London and the South East and the Home Counties, regularly spanning several local authority areas. For some purposes, therefore, there would be some benefit in being able to examine much wider geographical areas, by aggregating data.

17. The dividing line between urban and rural areas is also far less obvious than may be thought. Drawing on earlier work in the Department and by ONS, the Urban White Paper itself offered 5 classifications of areas:-

- Urban Inner city areas and centres of towns
- Suburban/urban Areas close to urban centres, includes many social housing estates
- Suburban Typical suburbia, includes some housing estates well outside city/town centres
- Suburban/rural Estates in rural type areas
- Rural More isolated rural areas

18. Suburbs only make sense as part of a wider urban area, but on the periphery of some urban areas can have similar features as areas that are considered rural. Now that journey lengths have increased for work, shopping, leisure and recreational activities the functional reach of towns and cities has extended. Therefore, when considering the progress of towns and cities, it will be important to take account of their individual roles or functions and the context of their wider regions. The Department's work to develop and clarify a system of defining urban and rural areas for a range of policy purposes is relevant here.

19. The result of all this is that, ideally, we would aim to monitor a wide range of indicators at various spatial levels to provide a picture that is relevant to the above varying perceptions of place. In practice, we have to recognise that the indicators we will wish to use will already be collected at certain spatial levels, most often at local authority level.

Our proposal

20. Recognising the above conflicts and the focus of the Urban White Paper, it is proposed to concentrate our attention initially on urban areas with a population of more than 25,000. Local authority district level data would probably lack relevance to smaller population centres, in many cases covering extensive rural areas. This produces the list of ~~[number - 198 in England and Wales]~~ urban areas in England at Annex A, distributed across ~~[number 4]~~ local authority districts ~~[areas currently being mapped by PLUS. list will be included in final document]~~. However, we will also commission a small scale study to assess the practicalities of data collection (see paragraph 36 below) and will extend this to examine the feasibility of deriving data for smaller areas, i.e. below local authority district level. In the longer term, we will aim to gather data for smaller areas, enabling us to develop meaningful indicators for smaller towns with a population of 10,000 and more. We will also look at work which local authorities may already be undertaking to develop datasets for parts of their area, especially towns within a district. Depending on the outcome of these pieces of work, we may want to develop indicators based on data collected at larger spatial scales, dis-aggregated or modelled down to represent smaller areas. We hope to pilot these ideas as part of the work with the 24 partner towns and cities with which the UPU is now working (see Annex B). At the same time, some data, particularly economic data and certain environmental data, are only meaningful at larger spatial scales such as regions or amalgamations of administrative that have been termed consolidated urban areas. These data will provide appropriate contextual information about the wider urban environs of individual towns and cities.

WHAT DO WE MEAN BY GETTING BETTER?

21. Again, the concept of 'getting better' is not as straightforward as it may first appear.

22. In determining whether places are attractive to people, we need to do much more than simply measure hard indicators, which may prove quite meaningless to them. It will, therefore, be essential for us to give some considerable attention to the perception of people living or working in towns and cities. While it may be relatively easy to measure 'improvement' across a wide range of factors, such indicators may have little if any impact on the overall Urban White Paper objective. Statistically measurable improvements may not be readily discernable on the ground until they reach a critical level. Many of them, while being important to achieving overall improvements, may not correspond with the perceived priorities of residents. Indeed, at local authority level, communities will have determined their own priorities for improvement in their own 'visions' or Community Strategies.

23. In some cases, as a result of local circumstances, 'improvement' against an entire range of national indicators may be undesirable. For example, in some areas, rising house prices could indicate an improvement in a weak housing market. Elsewhere, it could indicate a worsening of an affordable housing crisis.

24. Indicators of the 'state of the city' for particular places at a point in time and that monitor change over time will require careful interpretation. One aspect of this will be to ensure comparison is only made with appropriate places, dependent on the purpose of the comparison and the indicator in question. Comparing a metropolitan town in the north of England with a free-standing town in the south may not be particularly revealing, for instance. Similarly, comparing a core metropolitan district in the north against a comparator that included data for a smaller free-standing town in the south, would not be helpful either. Some indicators, however, are likely to be useful when compared, for example, against an England or a regional average. Other measures may be usefully compared with the average for a given type or classification of town or city, based on a range of criteria. Our approach then will be to develop indicators nested at different spatial scales allowing for appropriate comparisons to be drawn. These could include, for example, averages for town and city types, other European provincial centres, averages for a wider areas such as a regions or consolidated urban areas and appropriate individual towns.

Our proposal

25. It will be necessary, therefore, to interpret indicators carefully and with regard to local circumstances. To provide a picture of the situation across England, we will need to collect data nationally against a range of agreed indicators. While this will provide some headline measures of change, we will also have to interpret them in the local context and to draw meaningful comparisons, where helpful, with other appropriate urban areas. We need to be able to explain in what way and for whom the changes we have measured represent 'getting better'.

- When we commission a project to collect the data for the agreed indicators, we will include in it the analysis of the meaning of the data.
- We will also undertake a smaller project with the 24 partner towns and cities to examine in more detail how locally determined indicators can be

linked to national indicators and provide a richer picture of change and what it means.

HOW CAN WE MEASURE THIS?

26. The Urban White Paper set out the following 'new vision of urban living':-

"Our vision is of towns, cities and suburbs which offer a high quality of life and opportunity for all, not just the few. We want to see:

- **People shaping the future of their community**, supported by strong and truly representative local leaders;
- **People living in attractive, well kept towns and cities** which use space and buildings well;
- **Good design and planning** which makes it practical to live in a **more environmentally sustainable way**, with less noise, pollution and traffic congestion;
- **Towns and cities able to create and share prosperity**, investing to help all their citizens reach their full potential; and
- **Good quality services** – health, education, housing, transport, finance, shopping, leisure and protection from crime – that meet the needs of people and businesses wherever they are.

This urban renaissance will benefit everyone, making towns and cities vibrant and successful, and protecting the countryside from development pressure."

27. In order to track progress towards achieving that vision, it would seem appropriate to establish a set of indicators targeted on these 5 objectives – in effect, establish 5 domains for the series of indicators. These indicators should concentrate on outcomes and the potential impacts of policy, rather than simply present information about the outputs or delivery of policy interventions.

28. Within these domains, we require a number of indicators that provide information on an appropriate spatial level. The spatial level and the number of indicators will vary according to the domain. Ideally, there will be at least three types of indicator:-

- **Cross-sectional measures** will record current socio-economic conditions, answering questions, for example, about how many unemployed exist in a city and what is the city's rate of unemployment. This means that, where relevant, indicators will need to show both absolute numbers and also rates, using an appropriate denominator.
- **Change measures.** These will record the direction and rate of change. This presupposes that identical definitions and identical areas can be used for successive dates. It raises questions about the length of time against which change might best be measured and about whether the selection of a base date affects the outcome. For example, with unemployment it may be that the phases in the business cycle are critical to any measure of change. Again, any change figures will need to be plotted against comparator areas to see whether positive changes are less than or greater than elsewhere, and to begin to consider the degree to which changed circumstances are likely to be causally related to particular policy interventions.
- **Disparity measures.** These will plot the degree to which an area is highly differentiated or not. This will need to be done in two ways: non-spatially, by looking at the variance of data across an area; and spatially, by looking at the degree of spatial segregation of an indicator – whether, for example, the

unemployed are concentrated in distinct areas or scattered more uniformly throughout a city.

29. It will also be important to include a variety of substantive types of indicator in order to cover measures both of individuals and of areas. Most of the administrative data sources refer primarily or exclusively to individuals (unemployed people, those in receipt of benefits, etc). On the other hand, by their nature some data refer to areas (environmental quality, GDP per capita, density, etc). Some, however, can be measured either for individuals or areas and it may be that both are relevant. For example, educational performance can be measured for schools (which reveals something about the perception of the quality of services in an area and about generalised neighbourhood household circumstances) or for individual pupil addresses (which reflects individual performance regardless of which school pupils attend). Similarly, domestic burglaries could be measured in terms of where offenders live or of where burglaries are committed. In many cases, both will be relevant.

30. It seems likely that some statistical indicators will have little obvious relevance to residents, at least until the degree of change has reached a critical level. In some cases, several indicators will need to be examined together to provide a meaningful picture of change, to include wider contextual data of socio-economic conditions. For example, by looking at GDP per employee together with income disparity we will not simply identify an average increase in absolute prosperity but we will also demonstrate the extent to which all sections of a community are benefiting or otherwise from such improvements. As stated above, it is our explicit aim to avoid imposing any unnecessary additional burden of measurement.

31. These 'hard' statistical indicators will often present only part of the picture. They will provide some absolute measures of change, and a basis for comparing different towns and cities. But they will rarely convey a sense of what it actually feels like to live or work in a particular place, and that is central to delivering the Urban White Paper vision of attractive towns and cities. It will be necessary, therefore, to also attempt to address these 'soft' indicators. This may be an area where locally relevant indicators are more important.

32. Annex C sets out our proposed indicators under the 5 Urban White Paper vision themes:-

- **Vision 1: People shaping the future.** In addition to 'hard' indicators of involvement in the processes of democracy, this domain should include a wider range of issues relating to what has been termed 'social capital'. It may be possible to develop a range of proxy measures to provide indicative evidence of community organisation, in whatever form this may take. A diverse range of indicators could potentially be developed for this, examples could include the number of and participation in youth clubs, sports leagues, after school clubs, residents associations and the like. They could perhaps include the number of people engaged in voluntary and community work or the numbers to participate in local consultation exercises. Of course, it would be inappropriate for central government to attempt to collect this type of information centrally and it will be for agencies locally to identify what indicators that may be appropriate.

- **Vision 2: Attractive, well kept towns and cities.** In this context, "attractive" refers to more than physical appearance - visual aesthetics. It is a reference to what makes towns and cities attractive places to live in - the factors that act as a 'magnet', drawing people to live in towns and cities. These broader indicators may differ from place to place and would, by necessity, be collected at a local level. However, a number of suggestions have been made covering the range and type of facilities available in a town or city, such as sports and leisure, arts and cultural facilities, shopping and entertainment venues. In relation to these less directly quantifiable factors, it could be that house prices and the turnover of property transactions will be useful for interpretation.
- **Vision 3: More environmentally sustainable.** We believe that here we need to look beyond indicators relating to the environment, to encompass ideas of the critical mass of people and of demand required to sustain certain types of facilities or services. A good example of this would be the measure of 'footfall' sometimes used when assessing the sustainability of particular types of retail development in town centres, although that could equally be relevant to the Vision 2 domain. It is unlikely that such information would be available centrally, but may be available for individual towns and cities at a local level.
- **Vision 4: Create and share prosperity.** Indicators under this domain will need to take account of a number of issues that will meet priorities determined locally. For instance, when considering employment or unemployment, there are issues around where jobs should be located. In some places, more will not be the optimal outcome, as they would be better created elsewhere, according to the economic strategy of the relevant Regional Development Agency. Also, it may be sensible to split this indicator into its two component parts: creating prosperity and sharing prosperity. An interesting question is whether these are in any sense contradictory as some evidence suggests that the most economically successful cities are also the most unequal. The availability of work and a person's ability to access opportunities are important considerations in perceptions of quality of life. Therefore, this indicator should seek to measure how wealth is distributed as well as its creation.
- **Vision 5: Good quality services.** The indicators developed for this vision must reflect the outcomes arising from service provision, rather than outputs or service delivery. They should gauge the extent to which all people can access local services and amenities. If developed for individual towns and cities, to be meaningful, they would need to reflect priorities agreed locally. In short, they need to address the effectiveness, the quality and the inclusiveness of the relevant public services. The Modernising Local Government agenda and the development of the BVPIs has as its central aim the improved quality of public services delivered at the local level. The public services to be measured and used as indicators must include education, health, housing, transport, crime and access to the justice system, culture, leisure and sport. There are a number of Public

Service Agreements (PSAs) that are relevant here. These have been included as appropriate, with the relevant PSA targets, regardless of our ability to monitor them at the local level. It may be possible to develop contextual indicators at the regional level, or for town and city types. For some of these indicators, it will be very important to provide appropriate contextual indicators in order to arrive at a balanced picture of the area in question. Examples of relevant contextual data include housing tenure profiles and the ward-level scores from the NRUs Index of Deprivation 2000.

Our proposal

33. We, therefore, propose to select our indicators as far as possible from the wide range already in use for other purposes. Annex C sets out a list of potential indicators linked to the 5 vision themes. This will need to be refined to ensure an appropriate range of indicators for each domain while keeping the monitoring process of manageable proportions.

WHAT IS DRIVING THE CHANGES?

34. Having identified indicators and developed measures of change, we need to understand the implications of change and what is driving it. In part, that will require an evaluation of the various Government programmes and initiatives that were intended to contribute to the urban renaissance. That is addressed in the next section of this paper. Overall, we need to understand the drivers of change and the forces that impact on the baseline position.

35. We are not starting from a blank sheet of paper. There are many hypotheses about what drives changes in urban areas. Some of these were presented in The State of English Cities that was published alongside the Urban White Paper. The ESRC has over the last five years funded a series of research studies investigating competitiveness and cohesion in cities, including a number of integrated case studies that explore in detail these drivers of change. What we are seeking is an understanding of how a number of economic, social and environmental factors interact to produce towns and cities that function more or less well.

Our proposal

36. We propose to commission four projects:-

- A literature review, concentrating on the drivers of change and what the indicators might be expected to tell us (drawing on ESRC material);
- A small study of the practicalities of the proposed indicators and data collection;
- An exploration of change at local level, working with our 24 partner towns and cities; and
- The main project to collect and analyse the indicators in time for the Urban Summit.

HOW DO WE EVALUATE THE IMPACT OF POLICIES?

37. The preceding sections deal with measuring changes in outcomes. It is also necessary to try to evaluate the impact that various initiatives have had in delivering such improvements. Change in urban areas is shaped by a complex interaction of social economic and environmental factors and attributing all or part of some change to particular initiative is not without problems. It cannot be assumed that, for example, a reduction in the amount of vandalism in an area is simply the direct result of Government crime reduction programmes. We need to attempt to evaluate the extent to which such programmes have contributed to improvements.

38. The key question for policy evaluation is whether policies are meeting their objectives. Central to any effective evaluation, therefore, is clarity over objectives, the rationale for engaging in the particular activities, and the need to assess their impact. Clarity about aims is crucial to the design and methodology of evaluation studies. Much policy evaluation tends to be summative, monitoring outputs and then assessing the impact or outcomes of these, although 'process objectives', such as improving the performance of public sector agencies, or encouraging partnership working can also form part of the evaluation strategies. To some degree, a formative evaluation approach will be need to be adopted for the evaluation of the Urban White Paper, as it will need to explore why and how different policy interventions have developed in different towns and cities, identifying what has been successful and if appropriate transferring or replicating this experience to other places.

39. There are 2 potential levels of evaluation – national programme-specific evaluation, and local evaluation.

40. Most of the government programmes and policies described in the Urban White Paper will be the subject of specific evaluation to ensure they (rather than other factors) are delivering their desired outcomes. Many of these evaluation results will not be available in the short term, although we need to be alert to the possible availability of interim evaluation data, or specific assessments of effectiveness such as may underpin Government Spending Review decisions. Clearly, we do not wish to duplicate any of this programme-specific evaluation.

41. *[We are conducting a survey of OGDs to produce a list with timescales, of the range of programme/initiative evaluation proposals – Annex D. This section should then be expanded to set out those evaluations which are seen as relevant to the UWP vision and where relevant draw links to the indicator domains].*

42. Local evaluation would give a valuable alternative perspective. It could provide a useful 'reality check' on the national evaluations but, to be locally relevant, it would need to focus flexibly on the local 'vision' or Community Strategy priorities. We will ensure that our work with our 24 partner towns and cities complements this Evaluation Strategy.

Our proposal

43. We, therefore, propose to draw on currently planned evaluations of existing national interventions while using the assessments of the visions of our 24 partner

towns and cities to provide a local insight into the way these interventions actually impact on the ground.

TO WHAT TIMESCALES SHOULD WE BE WORKING?

44. This work has a number of target dates and determinants. The Urban White Paper provided for an Urban Summit in 2002. This is scheduled for the end of October 2002. The next major milestone in the Urban White Paper is the proposal for a 'State of the Cities' report in 2005.

45. The Urban Summit will provide the first major opportunity to review progress. By that time, we will have clearly defined our indicators and evaluations, we will have established baseline data for the indicators against which we will measure progress in the 'State of the Cities' report, and, as far as possible, have measured initial progress against them. A useful baseline date for future monitoring would be 2001 as it coincides more or less with the Urban White Paper (published in November 2000) and with the latest national population census which will provide much of the data. Census data won't be available for the Urban Summit. For some indicators, time series data would be required to allow for meaningful interpretation. For some economic data for instance, the beginning of the 1990s would be appropriate. Because we will be utilising existing indicators as far as possible, we will be able to explore recent trends for the Urban Summit, although the amount of historical data available may vary from indicator to indicator. For some, the data set may extend back for many years, while others may have a relatively short history. But there should be adequate information, across a wide range of indicators, to provide a meaningful picture of recent developments.

46. The 'State of the Cities' report will provide an opportunity for a comprehensive review of monitoring data at both national and local levels, tracking progress from a common baseline date across a range of indicators. Again, the 24 partner towns and cities should be a rich source of local case studies clearly illustrating the improvements being tracked by the indicators.

47. For the Urban Summit, our indicators will have to be based on our initial work in respect of urban areas with populations of more than 25,000 and will largely relate to local authority district level. In the intervening period, between the Summit and the 'State of the Cities' report, we should be able to move to measuring change at a smaller spatial level, at least for some of the indicators. Measuring change at ward level would allow us to examine smaller population centres in a meaningful way so we would then be able to focus on urban areas with populations of more than 10,000.

48. Throughout this period, data from various programme evaluations will become available. We will also wish to collect information against the agreed indicators. Such interim information should be made public periodically. We will wish to make use of the Department's 'Update' magazine and the periodic Urban White Paper Implementation Bulletins (currently planned to be issued approximately every 6 months in the lead up to the Urban Summit) – both available in hard copy and from the DTLR website - to promulgate the latest developments.

49. In the longer term, the Urban White Paper vision covered a 10-20 year period. It will, therefore, be necessary to continue to report progress, as further programme evaluations are completed and indicator data becomes available.

Our proposal

50. To provide a report on recent trends to the Urban Summit in October 2002, based on the best available data at the time; to establish a consistent baseline for all the indicators against which progress will be reported in the 'State of the Cities' report in 2005; to aim for a transition from the use of local authority district level data to ward level data for smaller settlements before the 'State of the Cities' report; and to provide periodic interim progress reports as appropriate.

THE CONSULTATION PROCESS

51. This consultation paper is being issued electronically to the LGA, other Government Departments, members of the Urban Sounding Board, the 24 partner towns and cities, and selected academics, voluntary and private sector organisations. However, it is also available through the Department's website and comments on the proposals would be welcome from all.

52. You are invited to comment on any aspects of these proposals. In particular, we would welcome your views on the practicality of the general approach proposed, on the identification of urban areas and indicators, and on the sections of this paper headed 'Our proposal' (paragraphs 20, 25, 33, 36, 43 and 50 above).

53. Written comments should be submitted to arrive by post or by e-mail no later than Friday 15 March 2002 to:-

Bob Michel
Urban Policy Unit
DTLR
Zone 4/H10
Eland House
Bressenden Place
London
SW1E 5DU

E-mail address: bob.michel@dtlr.gsi.gov.uk

54. In addition to this written consultation process, the UPU will organise 2 consultation events [~~dates and venues when known - during late February 2002~~]. Please let us know quickly if you would like to be invited to attend. Because of limitations of space, we cannot guarantee you a place.

DTLR Urban Policy Unit
December 2001

LIST OF TOWNS AND CITIES IN ENGLAND

[Insert list of urban areas with a population over 25,000 — also include maps of urban areas in England plotted on 10,000 and 25,000 population bases and consider including maps of the English regions plotting the local authority districts covered by the 25,000 list.]

LIST OF THE 24 PARTNER TOWNS AND CITIES

North East

Newcastle
Gateshead
Middlesbrough

North West

Manchester
Liverpool
Blackburn (with Darwen)

Yorkshire & Humber

Leeds
Sheffield
Barnsley

East Midlands

Nottingham
Leicester

West Midlands

Birmingham
Stoke

Eastern

King's Lynn
Norwich

South East

Reading
Brighton & Hove

South West

Bristol
Swindon
Plymouth

London

Croydon
Newham

Thames Gateway

Southend
Medway

LIST OF PROPOSED INDICATORS

[Insert table of indicators by Urban White Paper vision theme at different spatial levels – currently being revised by RAE following consultation with experts from OGDs on 17 & 18 December]

LIST OF PROPOSED INDIVIDUAL PROGRAMME EVALUATIONS

[Compile from survey of OGDs]



Deputy Prime Minister

RESTRICTED: POLICY

by fax

Dover House
Whitehall, London
SW1A 2AU

Tel: 020 7276 0400
Fax: 020 7276 0196

PRIME MINISTER

REGIONAL GOVERNANCE WHITE PAPER

We are making good progress with the White Paper. The Committee on the Nations and Regions, which I chair, has agreed a core set of functions for directly elected assemblies. We have also had a first discussion of options for addressing the "predominantly unitary" local government issue. I would welcome the opportunity to discuss the way forward with you in advance of the next meeting of CNR on 17 January.

General

The case for a much stronger focus on regional policy fits in well with our other aims of modernising public services, ensuring better service delivery, greater accountability and increasing prosperity. The momentum is building up within CNR, and we are also consulting a range of stake-holders in the North East and elsewhere to ensure that the White Paper proposals will meet their expectations. The recent Treasury and DTI pre-budget report on Productivity in the UK was also very helpful in setting out the economic case for a stronger regional policy, and we shall need to build on that for the White Paper.

Functions

At its meeting last week, CNR agreed a credible core package of strategic and executive functions for elected Regional Assemblies which will form a good basis for the White Paper. The package focuses on those areas where Assemblies will add value by fostering a joined-up approach to planning and economic development, building on the planning Green Paper and the success of the RDAs. It also takes functions from a range of unelected Quangos, which will provide scope for rationalisation.

In summary, Assemblies will be responsible for preparing a range of regional strategies covering economic development, planning, transport, housing, employment and skills, health improvement, sustainable development, and culture. They will sponsor the RDAs, with safeguards for central Government and business interests. They will also have a range of levers to influence the delivery of their strategies. However, assemblies would not have any role in school-level education, nor in delivering health services. This package is comparable with London, and should be well received in the North East, which, as you know, is the only region we expect to proceed to a referendum in the first stage.

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Constitution

CNR will be considering detailed proposals on the constitution of assemblies in the New Year. But I envisage them being stream-lined, strategic bodies consisting of 25 to 35 members. While I am not, as you know, a supporter of PR, I accept we shall need to concede some form of it for assembly elections - perhaps the Alternative Member System.

There is also the issue of how best to ensure business and other stakeholders are fully involved in assemblies' work without creating bureaucracy. Again, this is something which CNR will be discussing at its next meeting.

Local Government

At CNR last week we had a first discussion of local government. While we did not reach any final conclusions, colleagues noted that:

- arguably the three northern regions already met the "predominantly unitary" test in our manifesto. So we could, if we wished, allow those regions to proceed to hold referendums without the risk that the threat of reorganisation would distract local government from its task of service delivery; but
- set against this, we would inevitably face criticism that we were introducing another tier of bureaucracy if we did not face up to simplifying local government.

We therefore considered the following options for reviewing local government structures in those regions wanting to establish assemblies:

- (i) a review carried out by the Electoral Commission under existing powers with at least preliminary conclusions before a referendum was held;
- (ii) taking powers (in the Referendum Bill) to set the timetable and direction for a Electoral Commission review in advance of a referendum;
- (iii) the Government bring forward its own proposals for re-organisation before a referendum; or
- (iv) an assembly-led review of local government in the region after it was established.

You can leave CNR to decide on the detail, but I would welcome your views on:

- whether we should insist on moving to 100% unitary, or something close to it, despite the considerable controversy and upheaval that will cause; and

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- if so, whether reorganisation should precede a referendum or follow establishment of an assembly.

Trigger mechanisms

This discussion also touched on the possible trigger mechanisms for referendums. Colleagues were clear that referendums were best triggered by the Secretary of State after taking such soundings as he saw fit. They were not attracted to the idea of a petition. It would be helpful if we could signal clearly that we expected only the three northern regions to be candidates in the first instance. One thought floated at CNR was that we could set a threshold that a region had to be at least 65% unitary before the Secretary of State would consider calling a referendum. But clearly we would have to ensure that any formal criteria were logically and politically defensible. We would also need to be clear how other regions could also take up the "offer" of an assembly in due course.

Timetable

I believe we are now well placed to publish the White Paper in early spring. CNR will be meeting on 17 January to finalise the constitutional arrangements and again at the end of the month when we might be able to consider a first draft of the White Paper itself.

The Referendum Bill is in our provisional programme for the second session. Subject to that, and to decisions on handling the local government issue, I envisage a referendum being held in the North East in 2003 or 2004.

I would welcome the opportunity to discuss the way forward with you in advance of the next meeting of CNR on 17 January, particularly how we handle the local government question (as some of the possible options may have a direct impact on the timetable for establishing assemblies).

I am copying this minute to Stephen Byers and Sir Richard Wilson.

JP

JOHN PRESCOTT

20 December 2001



From: Alasdair McGowan
Date: 20 December 2001

PRIME MINISTER

Cc: Jeremy Heywood
Alastair Campbell
Sally Morgan
Andrew Adonis
Robert Hill
Geoffrey Norris
Mike Emmerich
Simon Virley

REGIONAL GOVERNMENT WHITE PAPER

Please find attached a note from JP updating you on the White Paper on regions. We have made some real progress and JP is closer to doing a deal on local government.

On timetables, JP is no longer talking about getting an assembly up and running by the end of the Parliament. He is simply talking about getting a positive referendum result in the North East – possibly in 2003 or 2004. This is a huge step forward as it allows us to address the local government issue in advance of any referendum.

On local government, we are winning Cabinet colleagues over to our way of thinking. There is now probably a majority on the Committee in favour of some form of reorganisation – but there is no clear view on whether it is better to do this before or after any referendum.

JP proposes three options for reviewing local government structures:

- i. A review carried out by the Electoral Commission under existing powers with at least preliminary conclusions before a referendum was held;
- ii. Taking powers (in the Referendum Bill) to set the timetable and direction for an Electoral Commission review in advance of a referendum;
- iii. The Government bring forward its own proposals for reorganisation before a referendum; or

- iv. An assembly-led review of local government in the region after it was established.

Option (iii) of a Government-led reorganisation is a political non-starter – the Tories chose this route in Scotland and Wales and paid a heavy political price. No one favours this option.

JP and Stephen Byers favour option (iv) on the basis that:

- It means minimum delay both to any referendum and the establishment of an assembly in the North East.
- They regard reorganisation as a costly and unnecessary distraction from delivery and want to kick it into the long grass (and possibly avoid it altogether).
- They think that putting reorganisation up front will scupper their chances of winning a referendum because local government will campaign against it.

However, you have already said that you are not attracted to option (iv) – i.e. an assembly-led review after the referendum. Is this because:

- You don't like the idea of the assembly conducting the review?

OR

- Because you don't want reorganisation kicked into the long-grass by leaving it till after the referendum?

OR

- Both? ✓

I would favour option (ii) but could live with a variant of option (i) (provided it was legally viable and the Commission provided final as opposed to preliminary conclusions) on the basis that:

- People need to know up front what it is they are voting for and they need to know what it means for local government in their area. People may be less

inclined to vote for regional assemblies when faced with the implications but it is better that they vote knowing the full consequences.

- If people do vote for regional assemblies, we would then at least have a mandate for what would otherwise be a politically fraught reorganisation, and we would have dealt with the inevitable charge from business and the Tories that this is an unnecessary extra tier of government.
- If we leave the review until after the referendum, reorganisation may never happen, yet both the counties and the districts will still think they face the chop. At least with our option, the uncertainty is minimised.
- There is no hurry to move towards regional assemblies. We will have met our Manifesto commitment simply by allowing a referendum.

Charles Clarke also favours dealing with the issue up front as a means of getting the legislation through Parliament, although (unlike you) he thinks we should move towards unitary status regardless of whether we have regional assemblies.

At the last meeting of CNR, JP reluctantly admitted that there may be a case for 100% unitaries (or close to it) and seemed genuinely prepared to accept either option (i) or option (ii).

He will still need to be pushed – but his resistance appears to be softening. He would prefer option (i) on the basis that it would mean less delay. But I suspect you are not as bothered about delay as JP and would ultimately want option (ii).

Am I right?

Yes

I think we can live with the compromise (originally proposed by Charles Clarke) on trigger mechanisms for referenda – namely, that the Secretary of State would decide after taking such soundings as he saw fit. This at least gives us political control over which regions had referenda and when. We could also – as JP suggests – rule out referenda completely unless the region had predominantly unitary local government (as defined by 65% unitary).

On functions, you made it clear that assemblies should have no role in relation to education. JP has accepted that there should be no powers over schools but is digging in to keep some role in terms of skills and higher education. The Learning and Skills Councils would still have to consult assemblies, and the

RESTRICTED - POLICY

- 4 -

assemblies would have the right to nominate one member of an LSC (and be consulted on other appointments). In addition, regional assemblies would have an opportunity to comment on bids for the Higher Education Innovation Fund.

These are pretty meaningless powers but they will mean more bureaucracy. Do you still want us to try and weed them out? *Yes*

Finally, JP asks for a meeting in advance of the next meeting of CNR on 17 January. Given that JP is planning to put a draft of the White Paper to CNR by the end of January, this meeting is essential if we want to influence the shape of the White Paper. Do you agree? *Yes*

Jeremy and I have arranged to meet Peter Unwin and Paul Hackett from JP's office to thrash out some of the issues in advance of that meeting.

Alasdair

ALASDAIR MCGOWAN

RESTRICTED - POLICY

file

In DCO In Box

From: Alasdair McGowan

Date: 20 December 2001

PRIME MINISTER

Cc: Jeremy Heywood
Alastair Campbell
Sally Morgan
Andrew Adonis
Robert Hill
Geoffrey Norris
Mike Emmerich
Simon Virley} e-mailed
+ attachm't**REGIONAL GOVERNMENT WHITE PAPER**

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ALASDAIR McGOWAN

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From: Geoffrey Norris
Date: 14 December 2001

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood

REGIONAL DEVELOPMENT AGENCIES

You asked about DTI's discussions with the RDAs on future funding arrangements following your conversation with Lord Thomas.

The dispute is basically about DTI wanting to top slice the allocations before they go to the RDAs to create a contingency reserve to meet unexpected and unavoidable in year spending pressures.

They believe that, as well as each individual agency setting its own contingency reserve, there also needs to be a "collective" contingency reserve for all the RDAs. In support of their proposal they cite the experience of FMD, where some RDAs were much harder hit than others and central government had to bail them out. DTI wants to create a fund to enable them to do this. It doesn't otherwise have a particularly big departmental budget to draw on. The RDAs, as you gathered from Lord Thomas, feel the DTI's proposal is a rowing back from the commitment to give the RDAs greater control over their resources. In the event of overspending their preference would no doubt be to ask HMG for more money.

The arguments on this are balanced. My view would be to leave the two parties to sort it out themselves. **What do you think?**

*In with the RDAs.
I think its reverse from the DTI.*

RESTRICTED

MATRIX

file.

RESTRICTED - POLICY

12/12/91

DEPUTY PRIME MINISTER

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cc CS

GN
SSH
OS

MEETING OF CNR, 13 DECEMBER:
ENGLISH DEVOLUTION AND ECONOMIC DEVELOPMENT

1. Ahead of the next CNR meeting on Thursday, I would like to set out the case for an approach which is radical on the politics of devolution and which also reflects our shared national and regional agenda for economic development. It ends with proposals for resolving the specific issue of the RDAs' relationship with central government and elected regional assemblies.
2. Both the economics and the politics of English devolution need to be right. If we get the politics wrong, there will be a real risk to our economic objectives. Getting the politics right means:
 - (a) Going ahead only where there is clear public support;
 - (b) Maximising wider civic, including business, engagement in the new assemblies;
 - (c) Recognising that economic development will depend on a positive partnership between central government on the one hand and all the regions on the other.

Public Support

3. Evidence of public support for elected assemblies in the regions is at best, mixed. We need to be aware of the risk that, because of this, the new assemblies will start with weak mandates and credibility, and will be less likely to attract talented members.

Composition of the Assemblies

4. The assemblies should be small, so that they are encouraged to play a strategic role, including on scrutiny. Election should be on the basis of a regional list system, and drawing on the experience of other devolved elections in the UK, with arrangements to ensure that at least 40% of members are female.
5. But we need to look at a non-elected element too, if the assemblies are really to be a microcosm of regional civic society. We should consider engaging business, trades union, not for profit and faith groups, for example. In this way, we could offer a new kind of political institution which would re-engage the public and help to rebut arguments that we were simply creating a new tier of local government (with similar status and effectiveness as some local councils). Different regions might have different models.

Economic Development

6. We have already recognised the need to strengthen strategic economic leadership in the regions: the Deputy Prime Minister's creation of the RDAs has been the key element in this.

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7. We are now building on this: from April 2002, RDAs will each have a "single pot" of funding and more flexibility in how they allocate their money. In return, they are being asked by Departments to pursue challenging targets and to submit corporate plans.
8. A great deal more needs to be done, and it will take time. We should not risk undermining the progress we have started to make, in the way that we implement devolution:
 - the RDAs should remain clearly responsible for leading economic development in the regions;
 - they should have a close relationship with elected assemblies but also maintain strong links to central government (as set out in paragraph 10 below).
9. A national framework for RDAs' activities is necessary not only to ensure broad consistency with our overall economic goals to improve productivity and competitiveness. It will also reflect the reality of:
 - companies and sectors operating across regions and internationally, whose people will want to deal with central government as well as RDAs;
 - supply chains and clusters operating across regional boundaries;
 - policies and programmes designed to boost productivity working across regions (e.g. Manufacturing Advisory Service, services for SMEs) or across sectors rather than regions (e.g. for the car industry).

RDAs

10. Against this background, we need to establish a partnership between central government and elected regional assemblies which recognises the interests of both in having successful RDAs able to maintain their economic leadership role. The political arrangements set out in paragraphs 3-5 above would help to create the right context for this. But specifically, we should agree the following key elements:
 - (a) RDA Board appointments

The assemblies would propose and make the appointments, subject to the Secretary of State's consent.
 - (b) RDAs' Strategies

Regional Economic Strategies should remain in the ownership of the RDAs, even if published by assemblies. And if the assemblies required changes to be made in the RDAs' proposals, the RDAs would have the right to have these made public. The Secretary of State would issue guidance before the strategies were drawn up and would need to

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be satisfied that the draft was in line with the guidance before it was published.

- (c) Funding, targets, corporate plans
Funding should be direct from central government to the RDAs or, as in London, via the assemblies which would have no powers to divert it elsewhere. The Secretary of State should set the RDAs' targets, after consulting the assemblies, as a condition of making grants. The Secretary of State should also issue guidance to the RDAs on preparation of their corporate plans and to agree them, after consulting the assemblies.

11. Slightly fuller details are set out in CNR (01) 11, where DTI proposals are set out alongside those of DTLR and Cabinet Office.

Conclusions

12. English devolution provides an opportunity to re-engage with the electorate and to pursue our economic development objectives in the regions. This note outlines how we can do both.
13. Officials should work up the detail of the ideas in paragraphs 3-5 for the political arrangements. And while we should look at both economic and political proposals together in the New Year, the arrangements for RDAs should be those set out in paragraphs 8-10 above and in the DTI proposals in CNR (01) 11.
14. I am copying this note to the other members of CNR and to Sir Richard Wilson.

Patricia Hewitt



RESTRICTED-POLICY

Treasury Chambers, Parliament Street, London, SW1P 3AG

The Rt Hon John Prescott MP
Deputy Prime Minister
Cabinet Office
70 Whitehall
London SW1

12 December 2001

AMC

✓ JPH
ME
NAGN
DJ

Dear John,

COMMITTEE OF NATIONS AND REGIONS: 13 DECEMBER 2001

I am writing to give my apologies for this meeting and to set out some thoughts in advance of it, which I hope colleagues will consider in their discussions.

2. The Committee has yet to consider any estimated set-up costs for Elected Regional Assemblies (ERAs), and the potential on-going costs connected with running a "two-tier" arrangement, whereby one or more regions has an ERA but there is still a need for central Government to perform the ERA's functions elsewhere. We will need to look in particular at how best we can minimise any duplication of effort and avoid introducing unnecessary layers of bureaucracy.

3. I understand that you are currently considering some further issues that will need to be discussed in CNR after the Christmas break, including the extent to which local government reform may be necessary

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to enable regional referenda to be called. I have asked my officials to provide any help that may be of use to Stephen's in drawing up a detailed paper on this. I continue to think it important that we ensure that any reform is consistent with frontline service delivery requirements, allowing local authorities to deliver on the Public Service Agreement targets that have already been set for them. I look forward to further discussion on how we will achieve this.

4. I think it would be helpful if, after Christmas, we could consider in greater detail the issue of possible funding mechanisms for the English regions following the election of a regional assembly. CNR colleagues have had sight of a brief sketch of the possible spectrum of funding mechanisms, but have not yet had any fleshed-out papers or discussion on this issue.

5. It will be important for CNR to consider the position of the ERAs in relation to the Regional Development Agencies (RDAs). It is key that any move towards ERAs promotes an improvement in regional economic performance and enhances the RDAs' abilities to deliver on our productivity agenda.

6. We need to strike the right balance between what to devolve to the regions and what to retain. Our first concern must be not whether we *could* devolve x or y to the regions, but whether we *should*. We need to

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ensure that any move towards regional governance would be cost-effective and deliver better outputs and better value for money than the status quo; I would expect that any assessment of value for money would consider the value *added* by ERAs, particularly drawing out any advantage over the current arrangements they can show in terms of more coherent delivery to people in the regions. If we are to be able to show demonstrable support from the regions for ERAs, then we will need to be able to make a telling case in the White Paper for the tangible benefits that people in the regions will see as a result of turning out and voting in a referendum.

7. I am copying this letter to CNR colleagues, Gordon Brown, to Sir Richard Wilson and to Alistair McGowan at No 10.

Ben White,
Andrew
ANDREW SMITH



Richmond House 79 Whitehall London SW1A 2NS Telephone 0171 210 3000

IMC: 19888(N)

From the Secretary of State for Health

The Rt Hon John Prescott MP
Deputy Prime Minister and
First Secretary of State
Dover House
Whitehall
London
SW1A 2AU

12 December 2001

Dear John

ENGLISH REGIONAL GOVERNMENT: ELECTED REGIONAL ASSEMBLIES

I understand that at the last meeting of CNR on 21 November, Secretaries were asked to write to you to set out their Department's proposals on the functions which should be given to Elected Regional Assemblies (ERAs).

The proposals from this Department are that ERAs should:

- work with Directors of Public Health to ensure that regeneration, economic and other regional strategies incorporate public health considerations;
- have a duty (as with the Greater London Assembly) to scrutinise their own policies for health implications;
- have a scrutiny role for health policies.

Additionally, I believe that it would be beneficial to have an obligation (possibly statutory) for ERAs to:

- appoint the RDPH as their Health Advisor;
- ensure that Regional Development Agencies (and other relevant regional bodies whose activities impact on the public's health) work in partnership with regional Public Health Groups.

I hope that these functions will contribute to the "credible and substantial" overall package of functions appropriate to the regional level where ERAs could add value.

I attach for information a paper which discusses the main functions at paragraph 2 above and sets out what we consider to be the specific outcomes. The details should help to inform and develop the forthcoming White Paper on English Regional Governance.

f
AMCG
cc: JJH
SS
DH
AA



I am copying this letter to members of CNR Committee and Sir Richard Wilson.

Yours Alan

ALAN MILBURN

Department for
Environment, Food
& Rural Affairs

ME
cc: NA
JS:

Nobel House
17 Smith Square
London SW1P 3JR

file pl

From the Secretary of State

Ruth Kelly MP
Economic Secretary
Treasury Chambers
Parliament Street
London

7 December 2001

Dear Ruth,

BETTER INFORMATION FOR THE NEIGHBOURHOOD RENEWAL AGENDA

Thank you for copying me your letter of 14 November 2001 to John Prescott on a meeting you are organising in December on setting the information priorities.

I would be grateful if Alun Michael could be invited to this meeting and copied into papers. There is important work to be done in developing the statistical database for informing rural policies and targeting resources for renewal in rural areas. From initial conversations with the ONS, the databases that they are developing could be very helpful.

I am copying this letter to the Prime Minister, members of DA (SER) and Sir Richard Wilson.

Regards


Margaret

MARGARET BECKETT

C01/07986/mk

Rt Hon John Prescott MP
Deputy Prime Minister and First Secretary of State
Cabinet Office
70 Whitehall
London
SW1A 2AS

SH
cc: WP
AMCG



7 December 2001

Dear Deputy Prime Minister,

ELECTED REGIONAL ASSEMBLIES CULTURE, TOURISM AND SPORT

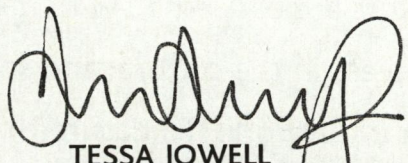
I found our discussion at CNR last month very helpful. It certainly highlighted the various factors that have to be taken into account, particularly on the economic side. As I said, there are considerable synergies between economic issues and culture, tourism, creative industries and sport, and decisions on the economic side will affect decisions on DCMS sectors. Nevertheless I appreciate that you need to have proposals from me in order to judge how the whole picture is shaping up, and I am sorry I did not meet your original deadline. A paper with my proposals is now enclosed.

I recognise the case for giving ERAs real responsibilities, but I will also want to be satisfied that this can be achieved with simpler structures and processes, not more. My Department is currently undertaking a wide-ranging programme of quinquennial reviews and this means that there are several sectors where final decisions on devolution cannot be taken until the reviews have been completed.

I believe that the proposals set out in the attached paper represent positive moves towards regional government while at the same time ensuring that national interests are properly taken into account.

I am copying this letter and the paper to CNR colleagues.

Yours,



TESSA JOWELL
(Approved by the Secretary of State
and signed in her absence)



INTERDEPARTMENTAL WORKING GROUP ON ENGLISH REGIONAL GOVERNANCE

The role of Elected Regional Assemblies in the work of the Department for Culture, Media and Sport (DCMS)

General Position

The Department is committed to having strong regional and local voices in decision-making. It is also committed to simpler, less bureaucratic structures to speed decision-making, move resources to front-line services more quickly and which are easier for people to relate to.

Many of the Department's objectives are carried out by the NDPBs it sponsors and quinquennial reviews are currently being undertaken on key ones such as Sport England, English Heritage, the Heritage Lottery Fund and National Museums. Reviews are also underway in the arts, tourism and regional museum sectors. These reviews are all addressing the need for stronger regional voices and simpler structures and processes, enabling resources to reach service deliverers more quickly. That does mean that the stronger local and regional involvement cannot be spelt out in detail until the reviews are completed and new machinery has been developed which takes account of the ERA dimension.

At the same time DCMS sectors are concerned with national and international excellence. Success in the cultural and sporting arenas therefore requires a national framework. To ensure that local

communities do not miss out on cultural and sporting excellence, the Department must continue to be responsible for national frameworks which promote equality of opportunity and enable standards to be maintained. A balance has to be achieved which allows local and regional involvement while at the same time achieving national objectives.

In the light of these principles the Department sees scope for giving ERAs a role in each of its sectors, with the regional structure in London providing an appropriate model. These roles are described in the following paragraphs.

Regional Cultural Consortiums (RCCs)

One of the main benefits of an ERA is its ability to encourage integration between the various regional strategies. It would therefore make sense for ERAs to integrate regional cultural strategies, provided regional economic strategies are similarly integrated, because of the relationship between the two. The RCC as a coordinating body would then be sponsored and funded by the ERA. We envisage that national guidelines would be issued to ensure that the cultural strategy was consistent with national objectives.

Tourism

There are clear links between tourism and the economy of the region. There are consequently clear links between Regional Development Agencies and the work of Regional Tourist Boards. If the London model

were followed for RDAs it would make sense to transfer direct oversight and funding to the ERAs from DCMS or the English Tourism Council, provided this can be achieved within a simpler structure.

Arts

ACE is about to announce its final restructuring plans under which a single body would be formed with more responsibility and funding being passed to the regions. Two of the main aims of the restructuring are greater simplicity and quicker delivery. The Department does not see scope for further restructuring or for funding responsibility for the arts passed to ERAs. Nevertheless, there is scope for the Assemblies to nominate some members of the nine Regional Arts Councils.

Museums

The recently published Regional Museums Task Force report makes two recommendations which are particularly pertinent to the issue of devolving powers to the region:

- i - the creation of a network of regional hubs (consisting of one museum and gallery service with up to three satellite partners) designed to develop leading regional museums as centres of excellence; and
- ii - the expansion of the Area Museum Councils (AMCs) to become principally strategic bodies incorporating the archives and libraries domains. The Department is itself undertaking a quinquennial review of national museums and is considering the case for some institutions being reclassified as regional museums.

Taken as a whole this work suggests that there may be scope for certain

functions being passed to the ERAs. Responsibility for funding the AMCs could be passed direct to the ERAs rather than via Resource: The Council for Museums, Archives and Libraries. The Assemblies could also assist with the selection of regional hubs and with the appointment of trustees and board members to the regional museums. No specific undertaking can be given on regional museums however, until the outcome of the quinquennial review of national museums is known.

Sport

The first phase of the quinquennial review of Sport England has identified a lack of responsiveness to local conditions and needs. The Regional Sports Boards are generally regarded as ineffective. Although the Lottery funded UK Sports Institute (UKSI) has centres in most regions, each centre concentrates on one or two specific sports and there is no capacity for expanding their remit to cover all sports. Given this situation, there may be a case for ERAs assuming some responsibility for overseeing regional sporting strategies relating to participation and regeneration, and for participating in the appointments process for members of reformed Regional Sports Boards. No specific undertaking is possible however until the quinquennial review has concluded.

English Heritage

The quinquennial review of EH is just starting and will consider fundamental questions about the structure of this NDPB and whether it should continue with all its current responsibilities including managing property, grant giving and listing responsibilities. There are no obvious benefits in devolving EH's grant giving powers to ERAs since the powers focus on the historical and architectural importance of individual properties rather than on external factors such as regeneration. The

listing responsibilities draw on national criteria so devolution to the ERAs could result in a lowering of standards and inconsistency. The bulk of DCMS Grant-In-Aid to EH is used for property maintenance. This may be a candidate for ERA involvement, with DCMS funding transferred to the Assemblies to allow for local spending decisions. Mechanisms might need to be put in place to protect the funding streams for historically important, but high maintenance properties. However no undertaking can be given on devolved functions until the outcome of the quinquennial review is known.

National Lottery

We have no powers to insist that the Lottery distributors delegate any of their responsibilities to the regions, but they are likely to be sensitive to the demands of the regional agenda. We envisage therefore that Lottery distributors with Regional Awards Committees could be encouraged to give ERAs the right to make appointments. ERAs could also become key consultees on Lottery distributors' strategic plans.

Department of Culture, Media and Sport

November 2001

RESTRICTED - POLICY

From: Alasdair McGowan
Date: 6 December 2001

PRIME MINISTER

Cc: Jeremy Heywood
Sally Morgan
Andrew Adonis
Robert Hill
Mike Emmerich

REGIONAL GOVERNMENT WHITE PAPER

JP is determined to circulate to Cabinet colleagues the attached paper on the implications for local government on English Regional Assemblies for discussion in Cabinet Committee (CNR) next Thursday.

It is heavily skewed, suggesting that if local government reorganisation is a costly and unnecessary diversion - but that if Ministers wanted to go down this route, the best option is an assembly-led review after any referendum and with no presumption of 100% unitaries.

I have told JP's office that (1) I am not happy with the paper being tabled or with the way it has skewed the options for Committee members; (2) although no final decisions will be taken, CNR members (including JP) will inevitably take positions before you have had a chance to discuss an issue that you feel strongly about; and (3) the Committee has enough to talk about in terms of functions anyway.

However, JP has said that he does not share my concerns and is insistent on tabling it. This is a none-too-subtle attempt on his part to slowly build political support within Cabinet for a position which he knows you have a problem with.

Do you have a problem with this being discussed in Cabinet Committee?
If you do, you will either need to speak to JP before Monday to stop it being circulated; or raise it with him at your bilateral next Thursday. Ultimately, though, the longer we leave any discussion with JP, the harder it will be to row back.

Alasdair

ALASDAIR MCGOWAN

✓ We can't have
an Assembly-led
review of local govt.

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RESTRICTED - POLICY**REGIONAL ASSEMBLIES AND "PREDOMINANTLY UNITARY" LOCAL GOVERNMENT**

1. The attached paper by officials discusses possible ways of addressing the statement in the 2001 Manifesto that:-

".....provision should be made for directly elected regional government to go ahead in regions where people decided in a referendum to support it and where predominantly unitary local government is established."

2. It concludes that:-

- restructuring local government would distract local authorities from service delivery, involve significant up-front costs and uncertain benefits, and be very controversial;
- four regions (Y&H, NE, NW and WM) could arguably be classed as "predominantly unitary" already and these are the regions most likely to seek regional assemblies in the next few years;
- Ministers could decide that no change was necessary for these regions and use the main Regional Assemblies Bill to establish a process for the other four regions if they decided to seek a regional assembly in future;
- but if Ministers believe that a move towards more unitary local government is needed in all regions seeking an elected assembly, the most attractive option is a regional assembly-led review;
- an Electoral Commission review (before a referendum on an elected assembly) gives Ministers very little influence over the process and outcome of a review;
- Ministers bringing forward their own proposals would be the most controversial option and be most at risk of successful legal challenge;
- both of these two models also provide the most immediate distraction from service delivery and run the risk of confusing local government structure changes with the case for a regional assembly in the run-up to a referendum;
- other options (or variants of the Electoral Commission and Government proposals models) are possible, but substantial changes would require primary legislation, which would delay the date for establishing the first assembly beyond the current Parliament.

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REGIONAL ASSEMBLIES AND "PREDOMINANTLY UNITARY" LOCAL GOVERNMENT

1. This paper discusses possible ways of addressing the statement in the 2001 Manifesto that:-

".....provision should be made for directly elected regional government to go ahead in regions where people decided in a referendum to support it and where predominantly unitary local government is established."

The case for and against more unitary local government

For

2. If a region chooses to have an elected assembly, many parts of that region will have three or even four tiers of "sub-central" government – the regional assembly, county council, district council and town or parish council. Critics would argue that such a structure was bound to be inefficient and unduly expensive. In practice, such criticism may be misconceived - regional assemblies will be taking very few functions from local government, but will bring direct democratic accountability to an existing tier of regional bureaucracy. But moving to a more unitary structure of local government would help address the perception that regional assemblies are an extra cost with no off-setting saving. It is also arguable that a single tier of local authority may be seen as more accountable.

Against

3. There are three main arguments against restructuring local government (or minimising its extent if Ministers believe some restructuring is essential):

i) Improving service delivery and the Modernising Local Government reforms – these are Ministers' top priority for local government. Restructuring would swamp them, because it raises so much passion and controversy and because the local authorities directly concerned would be focused on securing a new structure that suited them and their narrower institutional interests. Even if only one region, the North East, was restructured initially, there would certainly be a wider sense of "blight", as local authorities elsewhere awaited their turn.

ii) Cost and value for money - there has been little systematic research on past moves to unitary status, but the one major academic study of which we are aware is sceptical about the benefits and argues that the costs were seriously under-estimated. For example, the unitaries created in the mid-1990s have received some £568m in Supplementary Credit Approvals for transitional costs. But this is likely to under-estimate the true cost (because some councils met costs from their reserves and many argued that the SCAs available were inadequate to meet the full cost of reorganisation). Moving the rest of England to unitary status could cost several times more, depending on the sort of reorganisation – the mid-1990s reorganisation created 46 new unitaries, mainly from existing districts, whilst there are still 272 two-tier authorities in England.

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iii) Public and political reaction - any proposals to restructure local government would certainly also be controversial. There is pressure from some district councils in two tier areas to move to unitary status, but we believe that the great majority of county councils and no doubt a significant proportion of district councils would be against change. Existing councillors, in particular, are likely to be very concerned about their future role - for example, there are 306 district and 61 county councillors in the two-tier county of Durham (population of ½m), compared with 117 for unitary Birmingham (population of over 1m). A move to more unitaries could open up again the divisive debate that characterised the previous structure review, which was also heavily litigated, and could increase opposition to a regional assembly.

What counts as "predominantly unitary"?

4. The *Chambers* dictionary definition of "predominant" is "more numerous, more frequent, prevailing". So it is arguable that regions like the North East (68% of population living in unitary areas) and certainly Yorkshire and the Humber (89%) could already pass the "predominantly unitary" local government test, if Ministers wanted to minimise any changes to local government structure (see table at Annex 1). The fact that regional assemblies will take very few powers from local government would add weight to such an argument. Clearly, though, the four "southern" regions are a long way - some a very long way - from being predominantly unitary (eg. only 12% of people in the East of England live in a unitary area). The main Regional Assemblies Bill could, though, establish a process for reviewing and restructuring local government in these four regions if they decided to seek a regional assembly.

5. However, Ministers may not want a policy that would prevent some regions (ie. SE, SW, EM and EofE) seeking a referendum before the others. They may also want to adopt a tougher definition of "predominantly unitary", so that all regions, except perhaps Yorkshire and the Humber, had to move towards a more unitary structure, resulting in two-tier authorities being exceptional in all regions with an elected assembly. The remainder of this paper is drafted on this basis.

The options

6. The remainder of this paper considers three broad options for addressing the Manifesto statement:

Option 1. Electoral Commission review, with draft recommendations produced before a referendum on a regional assembly - the Electoral Commission will shortly inherit the statutory functions of the Local Government Commission and could be asked (not directed) by the Government to carry out a local government structure review. For a region-wide review, this would be the option most consistent with previous Government statements on structural reviews and the role of the Electoral Commission.

Option 2. Government sets out its own proposals before a referendum - this would be similar to process for local government reorganisation in Scotland and Wales in the mid-1990s.

Option 3. Regional assembly-led review after an assembly is established.

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11. There is also a further significant disadvantage with Option 1:

- d) the Government is largely in the Commission's hands, not only in terms of timetable, but in terms of its substantive recommendations. In particular:
- the Government can ask the Electoral Commission to carry out a review, but the Commission can refuse (eg. on the grounds that too little has changed since the mid-1990s reviews to justify further reviews so quickly);
 - if it agrees, the timetable is for the Electoral Commission to decide and it may not fit well with the Government's regional government timetable;
 - Ministers can give the Commission guidance on matters to be taken into account, but the Commission would be obliged to come to its own conclusion, applying the relevant statutory test, which is to recommend the changes that appear to it to be desirable having regard to the need "to reflect the identities and interests of local communities and to secure effective and convenient local government". These factors will therefore loom larger than the Government wish for a more unitary structure of local government – indeed, it is quite possible that any Commission recommendations would still not result in a "predominantly unitary" structure in regions like the East of England;
 - the Government could reject the Commission's recommendations or modify them, but the latter does not allow Ministers to make major changes and, in particular, does not allow them to make structure changes if none are recommended;
 - even if a region voted against having a regional assembly, it may be impossible to prevent the Commission completing its review and very difficult for Ministers to justify not implementing its conclusions.

Option 2. Government sets out its own proposals before a referendum; following a "yes" vote, regional assembly established and local government structure changes implemented

12. The Government would set out its policy in the Regional Government White Paper. This would need to be an unambiguous statement that did not allow for exceptional cases (eg. in any region with a regional assembly, the Government would want a wholly unitary structure comprising unitary authorities with populations between 300,000 and 400,000 people). A region would trigger a referendum. After the trigger (petition or regional chamber) but before the referendum, specific proposals to give effect to the Government's policy in the region would be published, following consultation with local authorities and others. This could arguably be done under the Government's general powers to develop policy and should not require enabling legislation (but see the risks identified by our lawyers below). If there were a "yes" vote, the steps would be taken to set up an elected assembly and the local government structure changes would be implemented, the Government having taken powers to do so in the main Regional Assemblies Bill. The Electoral Commission would implement electoral arrangements within the boundaries of the authority areas proposed by the Government, but that would be the limit of its role. The structure changes would come into effect some time after the assembly came into being. If there were a "no" vote at the referendum, the Government would not proceed with the proposed local government structure changes.

Advantages

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- a) voters have a clear idea of the likely local government implications of a "yes" vote;
- b) if Ministers wished, they could be more definite than under Option 1 about the likely local government structure changes following a "yes" vote, giving voters a clearer picture of the consequences;
- c) Ministers would have very wide freedom over the structure they wished to see in any region and the timetable, unlike Option 1.

Disadvantages

13. Several disadvantages are the same as with Option 1:

- a) prospect of reorganisation will inevitably take two-tier authorities' eye off the top priority of delivering high quality and improving public services;
- b) gives greater prominence to local government structure changes up to and including the referendum in any region, which could reduce support for a regional assembly and make referendums harder to win;
- c) nugatory expenditure if a region votes "no" at the referendum.

14. There are also three further significant disadvantages with Option 2:

- d) politically, Ministers would be clearly identified with the detailed proposals for a region, and may therefore attract more criticism than if the details were left to another body. Ministers have agreed that but for any whole sale reorganisation of local government, the Electoral Commission should be the body responsible for looking at the structure, boundaries and electoral arrangements of local government and the Government has said publicly that its intention is that no order relating to the structure of local government should be able to be made by the Secretary of State unless he has sought the advice of the Electoral Commission, and that nothing should be done which runs counter to the advice of the Commission. This option goes against that expressed policy. Ministers could also be criticised for departing from the Scotland and Wales precedents for reorganisations. In particular, the proposals for the North East, if it were the first region, would have to be drawn up much more quickly than was done for Wales and Scotland. Also, using an order-making power to implement changes, rather than primary legislation, would allow less time for full Parliamentary debate on the proposed changes and would make it more difficult to amend them.²
- e) procedurally, there are legal risks with this option. When the question of the need for structural change was last addressed in the 1990's in Scotland and Wales the changes were made directly in primary legislation. However, in England, given the number and diversity of local councils a process was established so that the need for structural change would be assessed by an independent Commission (the Local Government Commission) in the Local Government Act 1992. Local authorities could argue that the existence of a statutory procedure via the Electoral Commission means that, unlike in Scotland and Wales, Ministers cannot bring forward proposals using their common law powers. More generally, the absence of specific statutory powers increases the risk of a successful judicial review – an important consideration given that local authorities

² An order-making power would be needed for two reasons. First, this would avoid making the main Bill hybrid if it made structural changes only in, say, the North East. Second, powers would be needed to make structural changes without new primary legislation in regions that chose an elected assembly after the main Bill had been enacted.

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adversely affected will almost certainly use all available legal means to challenge the Government;

- f) there are also legal risks with the sort of outcome that Ministers would be seeking. It is quite possible that in specific cases a move to a wholly unitary structure may be almost impossible to justify objectively. But unless Ministers set out a very clear general policy then they would be substantially increasing the risk of a legal challenge on the grounds that the Government was effectively carrying out a review that was properly the role of the Electoral Commission. In avoiding that risk, though, the Government could leave itself open to challenge on the grounds that it was unreasonable to implement a proposal that could not be objectively justified (eg. in terms of cost or quality of local government). And it would be very difficult for Ministers to cite the need to avoid an extra tier of government in the region, as regional assemblies will take very few functions from local government. A related concern is that any Government proposals will need to be based on certain objectives or criteria. These are almost bound to overlap to a considerable extent with the statutory factors that guide an Electoral Commission review (ie. to reflect the identities and interests of local communities and to secure effective and convenient local government). This also may make Ministers vulnerable to a judicial review argument that they should use the statutory procedures for a review under the Local Government Act 1992.

Option 3. Regional assembly-led review immediately after an assembly is established in any region

15. A region would trigger a referendum. If the referendum resulted in a "yes" vote, an assembly would be established. Suitable provisions in the main Regional Assemblies Bill would require an assembly, in its first 12 months, to lead a local government structure review, taking account of the views of the region's local authorities, the Electoral Commission and others, and to make recommendations to the Government. The Government would be able to influence or control the structure an assembly must recommend. There would be a strong expectation that the Government would accept the assembly's recommendations, although Ministers could take powers to vary them. The final package would then be implemented.

Advantages

- a) avoids period up to the referendum in any region being dominated by local government questions, rather than the case for a regional assembly;
- b) defers the distraction from service delivery that a structure review would involve, and avoids it entirely if a region votes against an elected regional assembly;
- c) a credible body to take account of a region's circumstances and give its local authorities a greater say in the review process, possibly reducing two-tier authorities' opposition;
- d) specific legislation would allow the Government to tailor the process and influence or control the outcome (eg. to set out a timetable, give directions on Ministers' preferred outcome, make significant changes to an assembly's recommendations etc).

Disadvantages

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- a) compared with Options 1 and, especially, Option 2, voters would have little idea of the implications of a regional assembly for their local authority before deciding how to vote at the referendum;
- b) longest period between referendum being triggered and new local government structure taking effect, with possibility that "blight" arising from prolonged uncertainty is worse than settling the new structure quickly;
- c) an assembly may be less objective than either the Electoral Commission or the Government;
- d) the Regional Assemblies Bill would be slightly longer and perhaps more controversial because specific powers would be required for an assembly-led review.

Conclusion

16. Restructuring local government in any region is not to be undertaken lightly, given the distraction from service delivery, the costs and uncertain benefits and the adverse reaction from most two tier local authorities. In four regions (Y&H, NE, NW and WM), it is arguable that the "predominantly unitary" test is already met, because 60% or more of the population live in unitary areas. These are the regions most likely to seek regional assemblies in the next few years and Ministers could decide that no local government structure change was necessary for them even if they voted for a regional assembly. One of the options identified above could be used for the remaining regions, or the main Regional Assemblies Bill could be used to establish a new or amended process if they decided to seek a regional assembly. This would, though, mean a different or delayed process for four of the regions, compared with Y&H, NE, NW and WM.

17. However, if Ministers do not want to differentiate between regions and believe that a move towards more unitary local government is needed in all regions that have an elected assembly, the most attractive option is a regional assembly-led review (Option 3). Its main disadvantage is that voters at a referendum who lived in a two-tier area would have the least clear picture of the implications of a regional assembly for their local authority. However, this is a matter of degree: Government proposals would give the greatest clarity, followed by draft recommendations by the Electoral Commission, but neither could be presented as the certain outcome of a "yes" vote. Moreover, the disadvantage of the assembly-led review option could be reduced if Ministers set out in advance the principles of the guidance that they would propose to issue to a regional assembly and which it would be required to take into account in making its recommendations.

18. An Electoral Commission review and the Government setting out its proposals both have substantially greater disadvantages which cannot readily be ameliorated:-

- a review by the Commission gives Ministers very little influence over the process and outcome of a review;
- the Government bringing forward its own proposals clearly associates Ministers with the detail of restructuring and involves a process that will be controversial and at risk of successful legal challenge;
- both options provide the most immediate distraction from service delivery and run the risk of confusing local government structure changes with the case for a regional assembly in the run-up to a referendum.

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19. Primary legislation would be required for other options involving a review of local government before a referendum, or for significant variants of Options 1 and 2. This would delay the holding of the first referendum(s) and make it impossible to establish a regional assembly in this Parliament. Options in this category include taking powers in the Referendums Bill to reduce the risk of legal challenge if the Government produced its own proposals, or requiring the Commission to consider the desirability of reducing tiers of local government where people vote for a regional assembly.

DTLR

[] December 2001.

RESTRICTED - POLICY**Annex 1. Proportion of population living in unitary local authority areas in each region**

Region	Proportion in unitary area
Yorkshire and the Humber	89%
North East	68%
North West	67%
West Midlands	60%
South West	38%
South East	25%
East Midlands	20%
East of England	12%

RESTRICTED - POLICY**Annex 2. Timetable for local government structure review options**

	1. Electoral Commission produces draft recommendations before referendum	2. Government produces draft or final recommendations before referendum	3. Regional assembly carries out local government review after it is established
2002 Q1	White Paper published; region starts collecting signatures for petition	White Paper published; region starts collecting signatures for petition	White Paper published
2002 Q2			
2002 Q3			
2002 Q4	Region submits petition (Oct); Referendums Bill introduced (Nov)	Region submits petition (Oct); Referendums Bill introduced (Nov)	Region starts collecting signatures for petition (Oct); Referendums Bill introduced (Nov)
2003 Q1	Government satisfied that petition meets the threshold and requests Electoral Commission to start review (Jan)	Government satisfied that petition meets the requirements and starts reviewing local government structure in the region (Jan)	Region submits petition (March)
2003 Q2	Bill enacted (April)	Bill enacted (April)	Bill enacted (April); Government satisfied that petition meets the requirements (June)
2003 Q3	Commission publishes draft recommendations and opens public consultation (July); Government publishes its final proposals for a regional assembly, including reference to Commission's draft proposals (Sept)	Government publishes its final proposals, including its final proposals for local government structure (Sept)	Government publishes its final proposals for a regional assembly (Sept)
2003 Q4	Referendum held (Oct); main Bill introduced (Dec)	Referendum held (Oct); main Bill introduced, including schedule of new local government structure in the relevant region (Dec)	Referendum held (Oct); main Bill introduced (Dec)
2004 Q1	End of public consultation on Commission draft recommendations (Feb)		
2004 Q2	Electoral Commission presents its final recommendations to Ministers (May)		
2004 Q3	Ministers agree Commission recommendations (July)		
2004 Q4	Main Bill enacted (Nov)	Main Bill enacted (Nov)	Main Bill enacted (Nov)
2005 Q1			
2005 Q2	Assembly elections	Assembly elections	Assembly elections

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	(May)	(May)	(May)
2005 Q3	Assembly assumes powers; orders made to implement Commission recommendations (both July)	Assembly assumes powers; orders made to implement Commission recommendations (both July)	Assembly assumes powers and starts local government structure review (July)
2005 Q4			
2006 Q1			
2006 Q2			Assembly completes local government structure review and reports to Government (June)
2006 Q3			Government agrees recommendations (Sept)
2006 Q4			
2007 Q1			
2007 Q2	New local authority structure comes into being (Apr)	New local authority structure comes into being (Apr)	Orders made to give effect to reviews
2007 Q3			
2007 Q4			
2008 Q1			
2008 Q2			New local authority structure comes into being (Apr)

Assumptions

1. The timetables below make the following assumptions about the establishment of elected regional assemblies:-

- a Referendums Bill would take around five months of Parliamentary time, in line with the GLA Referendums Bill;
- the main Bill would take a full year of Parliamentary time;
- referendums and elections could be held in May or October of any year;
- it would be practicable to follow the GLA precedent of assembly elections in the May following Royal Assent to the main Bill, with a gap of a few months before the assemblies assume their new powers.

2. For the local government structure reviews, we have assumed either the same timetable as the changes in the mid-1990s, or something slightly faster:-

- the review process – around a year, although the LGC reviews took almost 18 months for the first tranche and a year for the later ones;
- the period up to the making of the order setting out the changes – around a year, which is slightly less time than for the LGC's recommended changes;
- the period between the making of the SI and the changes taking effect – for the LGC recommendations this averaged about 18 months, but we have assumed that it could be done in slightly less time if necessary. All the changes took place at the start of the financial year, which we have assumed would be the case for future changes too;

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- for changes made in primary legislation (Option 2), a period of 18 months before the new structures come into effect, following the precedent of the Local Government (Scotland) Act 1994.



10 DOWNING STREET
LONDON SW1A 2AA

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From the Senior Policy Adviser

23 November 2001

Dear David

NEIGHBOURHOOD RENEWAL

The Prime Minister met the Deputy Prime Minister, the Secretary of State for Transport, Local Government and the Regions and the Minister for Housing and Planning yesterday to discuss neighbourhood renewal. Joe Montgomery, Richard Mottram, Andrew Turnbull, Natalie Acton and myself were also present.

The Prime Minister was concerned that progress on implementing the National Strategy for Neighbourhood Renewal was slower than he had hoped when he launched it earlier this year. He emphasised that this continued to be an important agenda which should be reflected in Departments' mainstream programmes and, where relevant, in their implementation strategies for PSA floor targets. The Prime Minister was encouraged that this agenda was being prioritised in the work of the DA(SER) Committee. After discussion, the Prime Minister requested action on the following fronts:

The Prime Minister requested that the Neighbourhood Renewal Unit should work with the Delivery Unit to ensure that Departments take into account the distributional impact of their plans and policies, especially in relation to deprived areas.

The Prime Minister asked for further work to be done to identify the scope for rationalisation of funding streams at the local level. The Prime Minister was concerned at the high level of bureaucracy arising from the requirement for local organisations to apply for a number of different but related Government funding streams. He requested a report in due course on how this situation might be improved in relation both to neighbourhood renewal and other funding streams.

The Prime Minister said that he wanted to give a keynote speech on neighbourhood renewal, with the dual purpose of emphasising both to Whitehall and to the wider public the importance he places on this agenda. The Prime Minister was keen to give the speech as soon as possible, but was open to the

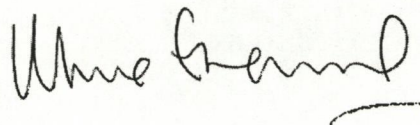
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- 2 -

idea of waiting until January in order to coincide with the anniversary of the launch of the National Strategy for Neighbourhood Renewal.

I am copying this letter to the Private Secretaries of those Ministers present, to Andrew Turnbull (HM Treasury) and to Andrew Allberry (Cabinet Office).

Yours sincerely

A handwritten signature in black ink, appearing to read "Mike Emmerich", with a horizontal flourish underneath the name.

MIKE EMMERICH

David Prout
Deputy Prime Minister's Office

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