Au revoir regions – where now for EU funding?

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The formation of the Coalition Government in May 2010 signalled a potentially radical shift in the political, spatial and economic approach to sub-national development in England. As part of an extensive (and costly) political rescaling strategy, the Coalition wasted little time in dismantling what was considered wasteful and bureaucratic regional machinery in favour of a new localist approach, with fundamental implications for England's planning and regeneration programmes.

Central to the administration's imperative to recast the role of the state – informed in part by deficit reduction and austerity plans – was the eradication of the eight English administrative regions outside of London. 'Regions' were the previous Labour Government's preferred scale for managing sub-national development. In tandem with dismantling regional governance institutions, and with Labour's flagship Regional Development Agencies (RDAs) set to officially close by the end of March 2012, alternative, reconfigured and in some instances new sub-national geographies of governance have begun to emerge, epitomised by the network of 39 Local Economic Partnerships (LEPs), covering more than 99% of England's population. In this sense, the Coalition Government's preferred scale for leading sub-national development can be understood as the 'sub-region', albeit masked by the 'new localism' narrative.

England's evolving sub-national geographies of governance have obvious repercussions *looking within*, including planning, but also some striking consequences *looking outside* its shores, including profound policy and delivery implications in terms of its relationship with Europe. While the adage of 'out with the old, in with the new' is synonymous with all incoming governments, the Coalition's political rescaling experiment transects a period of global economic turbulence – including a eurozone sovereign debt crisis that has strained the UK's political relations with formidable European players such as France and Germany, and marginalised the voice of the UK within European economic policy circles. In respect of regional development, these processes coincide with the European Union's (EU's) redesign of Structural Funding post-2013, which involves extensive negotiation of funding settlements with member states.

The Coalition Government's rejection of regions, understood here as a spatial unit for managing sub-national development activity, remains politically and spatially 'out of synch' with EU regional policy. It is within this context that some important policy and delivery quandaries arise within and across the *former* English regions.

European regional policy in a UK context

English 'regional policy' has an elaborate history, characterised by ebbs and flows, that is beyond the scope of this article. Nevertheless, the politics of regionalism and its Europeanisation was perhaps best reflected in the signing of the Maastricht Treaty by the European Community in 1991 and the creation of the Committee of the Regions in 1994. Among the key macro-economic criteria set out within the Maastricht Treaty was an explicit commitment to establish a 'Europe of the regions' within a new framework of multi-level governance.

Coinciding with the creation of the Committee of the Regions, John Major's Conservative Government established nine Government Offices for the Regions (GORs) in 1994 – in part to satisfy European funding requirements, but also to provide central government with a stronger sub-national presence and to help co-ordinate departmental policies 'on the ground'[1] (and not too dissimilar, in terms of providing Whitehall with 'eyes and ears' in the regions, to the present role of the six Department for Business, Innovation and Skills 'local offices' established at the behest of Business Secretary Vince Cable).

Following the election of the Labour Government in 1997, referenda in Scotland, Wales and Northern Ireland resulted in distinct devolutionary settlements, each with different political, fiscal and administrative powers. Labour's proposals for regional government and devolution in England were more modest and were partly driven by economic imperatives, but GORs developed a central role as part of a tripartite regional arrangement alongside unelected Regional Assemblies (RAs) and RDAs.[2]

The centrepiece of Labour's English decentralisation and regional governance plans was arguably the creation of the RDAs in 1999, with private sector led boards accountable to central government. Tasked with providing strategic direction and delivery capabilities to support the development of regional economies, the RDAs were subsequently handed responsibility for the management and administration of EU Structural Funding. Regional oversight of European programmes remained with the RDAs until 2010, delivered within a regional governance framework with agreed priorities, such as those set out in Regional Economic Strategies (RESs).

Alongside RDAs, unelected RAs were established at the behest of central government. These were voluntary groupings directed by a board predominantly composed of local authority elected members but with at least 30% membership from other environmental, social and economic representative organisations. Their role developed to take on a regional planning body function, but they were initially instigated to provide a regional democratic counterbalance of sorts to the RDAs, with a formal role in the scrutiny of RESs. As proposed in the May 2002 White Paper *Your Region, Your Choice*[3] and set out in the 2003 Regional Assemblies (Preparations) Act, the legislative groundwork had been laid for the creation of elected RAs. However, Labour's English decentralisation and regional governance plans were then derailed by the test-bed North East referendum 'no' vote on an elected Assembly.

Following this, the English regional project spluttered, and there was an ascendancy of alternative state scales and geographies of governance, such as city-regions and pan-regional arrangements. Reflecting continuing sub-national reform of English governance and administration, in 2007 the Labour Government undertook a Review of Sub-National Economic Development and Regeneration (SNR), led by the Treasury.[4] The SNR and associated Government responses signalled the end of the policy experiment of unelected RAs – severely compromised by their unelected status, they were terminated in 2010.

Despite little by way of consultation, once in power the Coalition Government embarked on a systematic dismantling of England's regional framework (see Table 1), shattering the evolving tripartite governance framework with the closure of GORs in March 2011 and subsequent abolition of the RDAs.

Table 1

Defunct regional policy apparatus

Policy function	**Overriding remit**	**Coalition rationale for abolition/withdrawing funding**
Regional Development Agencies	To create sustainable economic growth in each of the nine English regions	Unelected, expensive and unaccountable government quangos which fail to represent true functional economic geographies
Government Offices for the Regions	Implementation of national policy and the regulatory management (budget and contractual) of spending programmes of sponsoring government departments	Lack of democratic accountability; burdens and bureaucracy for local councils; arbitrary administrative boundaries imposed over real communities
Regional Spatial Strategies (RSSs)/Regional Economic Strategies (RESs)/Regional Strategies (RSs)	To provide regional-level planning, economic and spatial frameworks in collaboration with regional stakeholders	RSSs abolished as strategic planning and infrastructure issues were to be devolved to local authority level; RESs did not reflect natural economic geographies; RSs were time-consuming, expensive with inappropriate top-down planning targets
Unelected Regional Assemblies	Statutory regional planning role; hold RDAs to account; co-ordinate regional strategy; and provide a credible regional voice	Phased out by Labour, with some functions transferred to Regional Leaders' Boards
Regional Leaders' Boards	Represent local authorities in the production of RSs. Other functions included: spatial planning; regional funding allocations; and local authority cross-boundary issues	Unelected and unaccountable; abolition gave an annual public saving of £16 million

Source: Adapted from *English Regions Disbanded: European Funding and Economic Regeneration Implications*[5]

Importantly, the act of eradicating the vestiges of Labour's regional policy apparatus created space sub-nationally, which opened the way for a new political project; that of LEPs. The geographies of the LEPs are varied, with some overlapping boundaries, representing a significant departure from the nine standardised regions. For example, the South East LEP covers an expansive geography and is home to a resident population of over 1,533,000 inhabitants, whereas the Tees Valley LEP covers a much smaller area with a resident population of just over 264,000. It is not only in the geographies of LEPs that key differences are detectable – LEPs represent a divergent sub-national policy experiment, with divergences both from regional institutional precedents and across the institutional landscape of LEPs.

European regional policy implications

The disbanding of regions as the principal administrative scale for managing European funding under the EU's Cohesion Policy poses some significant dilemmas for a UK Government that claims to be a proponent of localism.

Operational management of European funding has been transferred from RDAs to central government departments – one of many examples of the recentralisation of sub-national/regional development functions. Partly as a result of the termination of the RDAs' Single Programme funding and some chaotic transitional arrangements, more than £1 billion of European funding remains unallocated. Post-regions, the management of European grants, loan funding and venture capital programmes is being undertaken by a myriad of institutional bodies operating across a range of spatial scales. This is likely to produce a critical disconnect between previous 'regional' strategic priorities and projects that receive (or seek to receive) European funding.

The multi-scalar management of European Structural Funds in England calls into question the ability to co-align policy and deliver European-funded projects in a systematic and co-ordinated fashion. In the absence of the RDAs and other regional institutions that played a key role, European delivery teams no longer benefit from the policy support, strategic guidance, legal provision and financial backing previously provided. The new system (operating up until at least 2013) is likely to give rise to further fragmentation, duplication, overlaps and inefficiencies.

It is of particular concern that, 12 months in, a significant number of the first 24 approved LEPs had not disseminated a credible strategy or a prioritised plan of interventions[6] – suggesting that, at least over the short term, the efficiency of the management of European funding has regressed. It appears that key lessons in European funding offered by the experiences of the GORs and the RDAs have gone unheeded by the Coalition.

A more pressing concern for prospective European projects, where funding must be allocated by 2013 and spent by 2015, is the financial void left by the termination of, and lack of direct replacement for, the Single Programme.[7] With a collective budget of £2.3 billion in 2007-08, the RDA Single Programme was the primary vehicle for providing match-funding to access European finance. Figures collated by the Department for Communities and Local Government (DCLG) show that between April and September 2011 only £87 million of EU funding was allocated, with no allocations made at all in some places formerly known as regions.

With the funding clout of the RDAs now gone, the ability of project promoters to identify co-funding partners is now proving to be an uphill struggle. Indeed, concerns are growing that Whitehall could claw back some of this regional aid,[8] with the Industrial Communities Alliance reporting that local authorities are unable to pick up the slack. This is a sobering thought considering the legacies of over-reliance on the public sector to match-fund European project finance and a private sector historically hampered by state aid regulations. As the principal funding pot available, the centrally administered Regional Growth Fund has provided some welcome financial support, but the vacuum left by the demise of the Single Programme has derailed the development of many prospective projects.

With the repercussions likely to impact communities and regional economies for years to come, the prognosis for many longer-term regeneration initiatives is bleak. Such fears prompted the House of Commons Communities and Local Government Committee to recently recommend that 'the Government set out proposals for working with local partners to identify sources of match funding, with a view to ensuring that all remaining European Regional Development Fund money is spent'.[9]

With the present EU Structural Funding programme coming to a close in 2013, and the European Commission currently negotiating funding settlements for the Multiannual Financial Framework (MFF) 2014-20 programme, the Coalition Government faces the critical issue of realigning European regional policy with England's reconstituted sub-national territories. The political abandonment of 'the region' in England stands in direct contrast to EU Cohesion Policy and associated funding solutions which will continue to allocate Structural Funding post-2013 based on GDP per capita of ‘less developed’, ‘transitional’ and ‘more developed’ *regions*.

The closure of the RDA network has consequently shifted attention towards the role that individual LEPs could, should, or wish to undertake. However, concern remains over what role, if any, they may perform in respect of Europe – from funding to lobbying. Early indications suggested the majority of LEPs will confine themselves to a more strategic steering and cheering role, at least one step removed from delivery functions. However, a number of LEPs have begun to initiate discussions across inter-LEP boundaries on the basis of managing and administering MFF funds in the future. For instance, the Coast to Capital LEP has hosted a meeting of the Inforegio group of MEPs with a view to forming a potential LEP consortium with Dorset and Solent LEPs.

While a collective LEP approach presents an option for European funding, a number of serious questions remain, including the constitution of LEPs and their legal personality, whether multi-LEP geographies could be considered to develop ‘regional’ priorities, and the extent to which the European Commission will devolve managing authority status to consortiums of LEPs without recognising the sub-national geographies within and across which they operate.

What next for a region-less England?

A regular feature of the highly centralised system of government operating in England has been the institutional reworking and rescaling strategies of an incoming government. Since May 2010, the Coalition has been actively pursuing the dismantling of England’s regional machinery. The reconstitution of England’s sub-national governance structures, within the context of the EU’s current rounds of negotiation on EU Structural Funding post-2013, presents a series of political and policy dilemmas, looking both within and outside England.

Looking within, of principal concern is the unallocated proportion of the present round of EU funding. While closure of the RDA network and the transfer of operations to DCLG has resulted in the loss of human capital and project management expertise, culminating in the disruption of many European projects, potentially it is the financial hole generated by a post-RDA Single Programme landscape that proffers the most serious policy and delivery implications.

Looking outside, England's 'region-less' sub-national development policy is now firmly out of step with Europe. Indeed, the rejection of regions by the Coalition Government is in stark contrast to EU Cohesion Policy and poses considerable questions over England's long-term financial allocation and delivery arrangements for the MFF 2014-20 programme, further complicated by the Coalition's tense relationship with the European Commission and other EU member states.

The disruption of prior EU policy and delivery alignments could prove to be a backward step for England's future relationship with Europe. Indeed, it is paradoxical to suggest that such institutional turmoil was justified on the back of reducing bureaucracy and a state deficit reduction plan. The true cost of the Coalition's sub-national experiment might not be revealed for some years to come, but at the moment asking LEPs to help plug the gap appears unrealistic and presents more difficulties than improvements. It is therefore timely that in February 2012 the House of Commons Communities and Local Government Committee opened a new inquiry and call for evidence on the operation of the European Regional Development Fund in England.

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Notes

1 L. Pugalis and A.R. Townsend: 'Rebalancing England: Sub-national development (once again) at the crossroads'. *Urban Research & Practice*, 2012, Vol. 5 (1), 159-76

2 L. Pugalis: 'Regional governance and place-shaping – an evolving tripartite relationship'. *Town & Country Planning*, 2009, Vol. 78 (1), 38-41

3 *Your Region, Your Choice: Revitalising the English Regions*. Cm5511. Cabinet Office and Department for Transport, Local Government and the Regions. TSO, 2002

4 *Review of Sub-National Economic Development and Regeneration*. HM Treasury/Department for Business, Innovation and Skills/Department for Communities and Local Government. HM Treasury, 2007

5 L. Pugalis and B. Fisher: 'English regions disbanded: European funding and economic regeneration implications'. *Local Economy*, 2011, Vol. 26 (6/7), 500-16

6 T. Bolton and K. Coupar: *Cause Célèbre or Cause for Concern? Local Enterprise Partnerships One Year On*. Centre for Cities, 2011. www.centreforcities.org/lepsatone.html

7 The Coalition Government has created several funding programmes that could be used to support sub-national/regional development objectives, such as the Regional Growth Fund. However, these are not necessarily designed to be used as match-funding for European grants

8 The clawback or recentralisation of European monies is a genuine concern considering the UK's existing rebate agreement negotiated by Margaret Thatcher, under which two-thirds of monies not drawn-down revert back to HM Treasury

9 *Regeneration*. HC 1014. Sixth Report of Session 2010-12. House of Commons Communities and Local Government Committee, 2011. para. 111. www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1014/1014.pdf