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THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

“FILE ON 4”

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**NORTHAM:** Kept carefully away from public attention and unnoticed by almost everyone who's not involved, a polite row has been going on for the past two years over billions of pounds of taxpayers' money. The European Commission complains that Government officials in six English regions have failed to keep proper track of massive amounts in regeneration grants. And despite Whitehall's best efforts to prove that all is well, Brussels remains unconvinced and is continuing to withhold huge payments.

**MEADOWS:** You can't have a system which leaves a cashbox on somebody's table with a little letter saying, 'Spend this in the best way you possibly can.' They have to be able to say how they've spent the money. All of this dispute is about the fact that when the auditors went there a year ago, they couldn't say in all cases how the money was being spent.

**NORTHAM:** File On 4 can reveal that accounts in one English region are in such a state that the European Commission is likely to punish it with a fine - perhaps tens of millions of pounds. We'll name the region concerned and identify the organisations which bear ultimate responsibility for the money. They are the little-known bodies called Government Offices for the Regions, and they handle ten-figure sums in

NORTHAM cont: grants from Europe which they are expected to police thoroughly. But this isn't the first time Government Offices have been under fire. They are also criticised for failing to protect large regeneration grants from the British Government. But trying to find out what's gone wrong can prove tricky.

CALLANAN: One of the concerning things is that we haven't been able to find anything out, so there has to be a suspicion that the Government are very embarrassed by this, they have something to hide, because there is a wall of silence been erected around these schemes.

SIGNATURE TUNE

ACTUALITY OUTSIDE GARAGES

SIMS: A lot of the houses were built around garage blocks, so that you have back entrances to the houses through the garages. And as you can see it's derelict, isn't it? It's a bit naff.

NORTHAM: Father David Sims is the parish priest on the Beechdale estate, one of the very poorest parts of Walsall in the West Midlands.

SIMS: It's the area where the youngsters can gather. If you want to buy drugs, this is the sort of place you come, if you want to use drugs. You can see there's graffiti all over the place, paint spilt all over. A lot of the residents don't use the garages.

NORTHAM: People won't use them because?

SIMS: They're frightened, too frightened to come down here sometimes. Some of these garages have got three or four padlocks on and sometimes we wonder why. So this is an area that really wants looking at, and what we would really like to see is to see it cleaned up, tidied up, properly lit and so that people could use the garages again for what they were meant to be used for.

## ACTUALITY NEAR SHOPS

NORTHAM: If we walk round the corner from the garages and cross the road, we come to the large open square with the social club and the occasional burnt-out car and the rundown shops with boarded-up flats over them. As well as being the priest, Father Sims is Chairman of Beechdale's Regeneration Committee. So when, in 2001, the Borough began spending a massive grant of £42 million from the Government for the most deprived areas, Father Sims was optimistic that some of the money would come to help this estate. Just a fraction of it could have begun to transform the derelict garage blocks and this main square.

How much of that money did Beechdale actually get?

SIMS: As far as I'm aware, virtually nothing if anything at all, and that really does make me angry. Because, as one of the priority areas, we felt – and I still feel – that we should have got some of that money. But where it went, we don't know.

NORTHAM: You don't know where it went?

SIMS: No, it just disappeared off the face of the earth. Someone has described our local council as a black hole.

NORTHAM: And you're not disagreeing with that?

SIMS: Not really, no.

NORTHAM: Have you tried to find out where the money went?

SIMS: We've asked and so far we've been unsuccessful in finding out what they did with it or where it went.

NORTHAM: Beechdale wasn't alone among Walsall's areas of deprivation in finding that money supposedly given for them under the Neighbourhood Renewal Fund didn't actually arrive. Even now, six years after the fund started, nobody seems clear what the millions were spent on.

## ACTUALITY OUTSIDE COUNCIL OFFICES

**NORTHAM:** It's just before ten o'clock on a Thursday evening in late September, and a packed and angry council meeting has just broken up here in Walsall. They've been arguing about the way the Conservative Council used its £42 million of Neighbourhood Renewal Funds. Nobody is suggesting it's been stolen, but councillors on all sides have demanded an official report on where it's actually gone. One former council official with a particular interest in this money, Peter Francis, has been sitting quietly listening to the argument. After almost four hours of this bad-tempered meeting, what do you make of what happened?

**FRANCIS:** I think it was a very long meeting, lots of passion on both sides. I'm very pleased that the resolution has been made to look more closely into the Neighbourhood Renewal Fund on how the funding has been spent.

**NORTHAM:** Peter Francis worked for Walsall Council for nine years until he was unfairly dismissed in late 2005. Latterly he was Head of Programme Management, covering the Neighbourhood Renewal Fund. In 2003 and 2004, the council had over £7m a year from the fund, supposedly to help deprived areas. Mr Francis became worried that it wasn't finding its target.

**FRANCIS:** I can only assume from the evidence that I have that the intention was to divert some or all of this funding into mainstream activities by the council and perhaps its partners. There is evidence in the projects that funds were being used for mainstream services like refuse collection, highway maintenance and ground maintenance.

**NORTHAM:** How many of the projects that were actually funded by the Neighbourhood Renewal Fund were directed at the most seriously deprived areas of the borough?

**FRANCIS:** When I came to analyse the projects I found that of the eighty-seven projects that were still live, there were only six I could identify that had a clear geographical targeting of the most deprived areas.

NORTHAM: Six out of eighty-seven?

FRANCIS: Six out of eighty-seven. Correct, yeah.

NORTHAM: And the others were what sort of things?

FRANCIS: The one that sticks in my mind is £134,000 that was spent on brown bins, which was to assist local people to recycle green matter from their gardens, and of course in most of the poorest areas people don't have gardens, and a brown bin would be totally useless to them.

NORTHAM: Peter Francis told us of other examples of what he considers the misuse of regeneration money. He says £1.8 million was allocated to a PR project to improve the image of Walsall, including a large screen TV and portable broadcast equipment. He was troubled too that some of his colleagues seemed to have their own views of accountability for public money. He was surprised to receive an email from one council official.

READER IN STUDIO: I am getting slightly nervous about the £800,000 of Neighbourhood Renewal Fund which wasn't allocated to projects. What I need to know is where it is sitting in the accounts at present and how we can ensure that the District Auditors don't pick up whatever we decide to do with it.

NORTHAM: And three months later, the same official sent another email, concerning £100,000 of regeneration money

READER IN STUDIO: If you need to find some more resources then the most likely candidate is the Neighbourhood Renewal Fund.

NORTHAM: It goes on.

READER IN STUDIO: Dodgy, yes. But if it means keeping the £100,000 of funding, then what do people think? PS this email will self-destruct should any auditors come within fifty yards.

**NORTHAM:** When Peter Francis raised concern about the use of regeneration funds, he says he found little enthusiasm among senior officers to investigate, and in the end felt compelled to leave. Faced with an Employment Tribunal, the Council last year awarded him compensation for unfair dismissal and other breaches, totalling £650,000. A report on his case from the District Auditor, presented to last month's heated Council meeting, points to deficiencies in the management of the neighbourhood Renewal Fund and says "it is clear that many of the issues raised by Mr Francis were legitimate". We asked for a response from Walsall Council about the use of these funds. An interview was offered with the Leader of the Council and a time agreed. Then, an hour before we were due to meet, the Council phoned to cancel the appointment. A new date was promised – but that too was later cancelled by the Council, who said the Leader would not, after all, be available. In a statement, the Council insists that the money was properly spent and says:

**READER IN STUDIO:** These events were not reflective of the Council as a whole and are certainly not now. Walsall Council take very seriously any failings and strives to correct and learn from them. We have put robust systems in place to ensure they do not happen again.

**NORTHAM:** But what of the part played in this saga by the regional outpost of Whitehall, the Government Office for the West Midlands? It's an organisation enjoying relative obscurity, one of nine regional offices which are the primary means by which a range of government policies are delivered in England. In respect of regeneration grants, it is a body to which spending has to be justified. For the Neighbourhood Renewal Fund, Whitehall specifically charged Government Offices with assessing the performance of those spending the grants, including how the money has been used. Peter Francis, the official who raised the alarm three years ago in Walsall, drew his concerns to the attention of his local Government Office.

**FRANCIS:** When I phoned Government Office, the officer I spoke to admitted that they were simply a post box and that the information was simply posted onto the office of the Deputy Prime Minister and they did not do any analysis of the detail of the funds at all.

NORTHAM: Is that exactly what this person at the Government Office said to you - that they were just a posting box?

FRANCIS: I remember post box absolutely accurately because again I was quite taken aback that nobody at a regional level was analysing how the funds were being spent.

NORTHAM: Why did that take you aback?

FRANCIS: My previous experience of regeneration funding is that there are checks and balances to be absolutely sure that the funds are being directed to the areas and the projects to which they were actually allocated.

NORTHAM: But you're saying that hadn't happened in this case?

FRANCIS: No it absolutely didn't happen in this case.

NORTHAM: We wanted to ask the Government Office for the West Midlands what had happened. But we were told no-one was available for interview. In a statement to File On 4, the Office maintains a hands-off approach.

READER IN STUDIO: How Neighbourhood Renewal Fund is spent is a decision between the local strategic partnership and its partner organisations. Expenditure is monitored and managed by the local authority. It is audited internally by the authority, and the authority's expenditure is subject to external scrutiny by the Audit Commission.

NORTHAM: The statement says nothing about the role the Government Office itself played in respect of Walsall Council. Nor does it say anything about its own duty to check how the money was used. But this isn't the first time the Government Office has found itself criticised in a scandal over large sums of public money for regeneration in the West Midlands. Only a few miles from Walsall, another fund had already hit the headlines.

## ACTUALITY IN ASTON COMMUNITY HEALTH CENTRE

NORTHAM: Workmen are putting the final touches to the new Community Health Centre here in Aston, to the north of Birmingham city centre, where a £54 million programme is underway to bring improved services and infrastructure to what ranks as the second worst area of deprivation in the city. This health centre represents an investment of £3.8 million from another regeneration budget known as New Deal for Communities.

MURRAY: Well here we have a fantastic baby clinic.

NORTHAM: In this room here?

MURRAY: Yes. But it'll also double up as a healthy living, healthy cooking section. And as you can see, we now have cooking areas.

NORTHAM: These are all going to be cooker points?

MURRAY: Absolutely, and we've employed cooks who will be resident in the building.

NORTHAM: For the regeneration project, known as Aston Pride, the health manager Louise Murray shows off new facilities, which include ten rooms for GPs, physiotherapy, practice nurses and pathology services.

MURRAY: I think what we are going to do is lay the foundations for real change. We're responding with this health centre and the regeneration programmes, but I think most importantly it's about what we can do within the health theme and how it leads on to employment and education, because ultimately we're going to be looked at how we've impacted on the area in an economical way.

NORTHAM: But though it's now running successfully, Aston Pride got off to an appalling start. Despite a Government commitment of £54 million of taxpayers' money, the scheme was so badly run in its first two years that the Minister himself eventually had to intervene, disband the entire Board and declare a new beginning.

NORTHAM cont: Birmingham City Council's own Regeneration Scrutiny Committee took up the case, under the chairmanship of opposition councillor Nigel Dawkins. His report criticises inaction and lack of supervision by officials at all levels, and provides a chronicle of repeated early mismanagement of the project.

DAWKINS: In private I always described it as a car crash. They achieved, on the scale of things, nothing. In the time period between when they received their £54 million, when they won the bid, to the point where it, in a sense, was wound up, they had on a scale of things achieved nothing.

NORTHAM: And did nobody notice that what you've called a car crash was happening?

DAWKINS: It is the great mystery and I laugh even when I'm thinking about it because it sounds so obvious, and yet everyone, everyone was reluctant to take responsibility.

NORTHAM: So as it was, the car crash happened?

DAWKINS: It did, it did. They stood by and watched it crash. And that was the great tragedy.

NORTHAM: In looking at how things went wrong at Aston Pride, a key question is who was ultimately responsible. It's the same as the question we found in Walsall. And for Councillor Nigel Dawkins, the then Chair of Birmingham's Regeneration Scrutiny Committee the answer is the same - the Regional Government Office.

DAWKINS: At the end of the day, it was the Government Office of the West Midlands who set this up, it was through them that the cash came. They would argue they had no direct input into this. It isn't actually so. Their guys did attend most of the Board meetings, so they were in direct contact with us continuously. They took a very hands-off approach and that was a great mystery to me, because at the end of the day it was actually them who set it up on behalf of the Government. And they watched this unfold, this tragedy, and again never intervened. And I think they did recognise but did nothing about it, that this was going off the rails. Everyone involved – and our report

DAWKINS cont: clearly said this – had a part to play in that car crash, and they all were to blame. And all the statutory bodies, who were supplying the professional advice, failed to show leadership and failed to match up to what their responsibilities were. Ultimately though the responsibility lay with the Government Office of the West Midlands, because it is from them that the money came from, and they at the end of the day chose that £54 million should be spent in Aston, which it never was. So they are ultimately responsible.

NORTHAM: Once again, nobody from the Government Office for the West Midlands was available for interview. In a statement to File On 4, officials say:

READER IN STUDIO: Throughout this difficult period, the Government’s concern was always to ensure that the people of Aston were not disadvantaged in any way by the lack of progress by the original Partnership. After working with and supporting the first Aston Pride Board to improve performance for two years, the Government acted robustly when it became clear that the necessary improvements were not forthcoming.

NORTHAM: It can’t be comfortable for civil servants working in the Government Office covering the West Midlands to face public criticism over schemes with combined budgets of almost £100 million pounds in Walsall and Aston. But how much redder the faces must be in a total of six Regional Government Offices in England, including the West Midlands, where a little-noticed dispute with Europe is reaching its climax after dragging on for the past two years. It’s an argument over their monitoring of a much bigger sum - £4 billion worth of regeneration grants.

#### ACTUALITY OF TRAIN AND ANNOUNCEMENT

NORTHAM: The money’s intended for hundreds of worthwhile projects, ranging from huge urban renewal schemes to small-scale improvements like the one here on the platform of Kirkby Stephen station in Cumbria, part of the famous Settle to Carlisle railway line. More than £100,000 has been given from the European Regional Development Fund to restore the historic stone buildings here and, bedecked with flowers, they now make not only an attractive sight, but also a useful contribution to the local economy.

FIRTH: Well, this is the entrance to the office suite. This would have originally been the porter's room in its heyday, and this door here, this takes us to what was the old lamp room, which we've now converted into a stair access, as you can see ...

NORTHAM: Martin Firth, the project manager, has overseen the transformation of this once-derelict property into a pleasant, modern working space.

FIRTH: We've got a first floor office suite, there's basically three rooms let out on a commercial basis, currently occupied by our tenants, Bible Voice. This, of course, is all new accommodation, this was originally just a roof void.

NORTHAM: And how many people can be employed in these offices?

FIRTH: It's up to a maximum of eight.

NORTHAM: So the idea was you've made the possibility of eight jobs?

FIRTH: That's right, that's right. And this is accommodation that didn't previously exist, and it's now in use.

NORTHAM: Despite its evident success, the railway project is one of hundreds around the country which find themselves at the centre of an international row over auditing standards. There's no suggestion that money has gone missing or been misused on the railway, but Brussels and London are locked in dispute over the official monitoring by Government Offices of all these projects. It comes down to a matter of paperwork - and there's plenty of it. In his smart legal office at Canary Wharf, the Chairman of the Railway Trust, Edward Album, has assembled for us the written records required by Europe as a condition of its grant of £142,000. You've spread before you on the table here eight piles of documents. These are all connected to the grant for one station?

ALBUM: Yes. We've got a pile of European Union documents like information packs and notes. We've got our own grant application.

NORTHAM: And that runs to several documents itself.

ALBUM: Several documents for that. We've then got our actual building contract and plans and drawings, which have had to be submitted to the European Union, and then we've got our quarterly claim.

NORTHAM: You have to provide receipts for everything, you mean?

ALBUM: We have to provide all the invoices and receipts and now we're on the final phase of audit.

NORTHAM: How does this volume of paperwork from the European Regional Development Fund compare with other grant-giving bodies that you've dealt with for the Railway Trust?

ALBUM: Well, the other grant-giving bodies require less paperwork, there's no question about that.

#### ACTUALITY IN BRUSSELS CAFÉ

NORTHAM: To the European Commission, the dispute with English regions looks simply like a matter of proper accountancy. Here in Brussels, two years ago, officials were worried when the European Court of Auditors found weaknesses in a number of regions' management and control systems for the £4 billion worth of regeneration funds. Since July 2005, the Government in Whitehall has been promising to put things right. When they still hadn't succeeded by spring of this year, Brussels decided it was time to tighten the financial screw and withheld all further payments from the fund to the six English regions concerned. This process was overseen by a British EC official, Graham Meadows, who was the Commission's Director General for Regional Policy. In the first interview since his recent retirement, Mr Meadows is now able to speak about the long-running dispute.

MEADOWS: There has to be one set of rules for all of the community players, and I can imagine that certain people in the United Kingdom would be irritated that auditors are coming and saying, 'Satisfy us, convince us,' and so on, and they'll say, 'Yes, but you know this is the United Kingdom, we're straight players,' and so on. We're talking about public money, we're talking about taxpayers' money. It's being allocated to try to promote economic development; it's being allocated to try to create jobs. The activity is absolutely vital for people's wellbeing. In that context it's quite proper and quite worthwhile to say, show me that the money's being properly spent.

NORTHAM: And in six parts of the United Kingdom you were not satisfied that those standards of probity and auditing were being met?

MEADOWS: Right. You can't have a decentralised system which leaves a cashbox on somebody's table and with a little letter saying 'Spend this in the best way you possibly can.' They have to be able to say how they've spent the money. All of this dispute is about the fact that, when the auditors went there a year ago, they couldn't say in all cases how the money was being spent.

NORTHAM: The irony of hearing the European Commission lecture Britain about financial probity is not lost on either side of this dispute. For years, Brussels has been criticised over fraud and waste of public funds, and now the boot is firmly on the other foot. Projects in England have been found guilty of matters as basic as failure to retain expenditure records, not conducting day-to-day management checks, claiming ineligible items of expenditure, and even declaring expenditure twice. Some British MEPs may feel horror that our probity could be called in question, but one of those directly affected, the Conservative Martin Callanan, takes Brussels' side of the argument. Mr Callanan is an MEP for the North East of England, one of the six regions identified as having specific auditing weaknesses.

CALLANAN: I think they're fundamental. I mean, if projects are failing to account for expenditure then obviously there is no direct allegation of fraud, but if expenditure cannot be accounted for, then presumably there is a suspicion that the money could have been misallocated and further suspicion that possibly it could have been stolen. So I think to be fair to the Commission I would be the first to have a go at them if



CALLANAN: You're right, we are, but they are refusing to tell us. Yes, they are obviously embarrassed by it and they're not releasing information.

NORTHAM: While detailed information remains hard to find, File On 4 has learned that Brussels is still dissatisfied with the Government's performance. At the European Commission, the spokesperson on Regional Policy, Eva Kaluzynska, has seen protracted efforts to bring the six English regions into line.

KALUZYNSKA: We had a meeting with British Government officials in July 2005 to discuss the problems and the action that had to be taken. And we had another meeting in February 2006, because we felt that we weren't seeing enough action. So then what happened? Local Government Offices were instructed to go through the checks that we like to see and to put it right.

NORTHAM: So from July 2005, the British Government has known that you had a substantial problem with a number of English regions and the way they were managing these funds, and yet still this matter is not resolved. Why has it taken the Government so long to do this?

KALUZYNSKA: That's a question you'll have to put to the Government. I would add that the national auditors in England had found the same deficiencies as we did through 2005 and 2006.

NORTHAM: So the Government knew from two sources that it had this problem?

KALUZYNSKA: The national auditors would have put them in the picture.

NORTHAM: As you did.

KALUZYNSKA: As we did.

NORTHAM: We wanted to ask the Government about its dispute with Brussels. No minister was available for interview. A Government statement says it has taken robust action and that 'no suspended region has lost out on funding as we have continued to pay all eligible projects. In addition we have strengthened the management procedures in the regions'. Graham Meadows, the EC's former Director General of Regional Policy, argues that it is up to Government Offices to ensure compliance with the rules.

MEADOWS: In the chain you have the Government Office in the region as the part of the region which receives the funding and obviously must make sure that everything's okay. If the regional offices have a responsibility to bear in this, it's the responsibility of people who weren't doing a proper policing job. One of the irritating things is that Britain's quite good in some regions and obviously has a problem in other regions, and this is the stuff that's easy. It's just a question of organisation, it's not difficult; there are auditors, accountants aplenty in the United Kingdom who could all do this kind of stuff. There must be many people who could do this. I know myself, some of them are in the Government service that in some of the regions they work brilliantly.

NORTHAM: Which is the best?

MEADOWS: Well, the South West of England came through. I remember this particular audit very very well; Wales came through very very well.

NORTHAM: Which is the worst?

MEADOWS: Well, in the current crop I think that the last questions will hang over the North West of England. They didn't take the care to make sure that the plumbing was in place.

NORTHAM: Why not, if it can be done in the South West why isn't it being done in the North West?

MEADOWS: That's not really a question for me.

ACTUALITY OUTSIDE GOVERNMENT OFFICE, MANCHESTER

**NORTHAM:** We wanted to put the same question to officials here at the Government Office for the North West, based in City Tower in central Manchester. But no-one is available for interview. There are eight floors of civil servants here and they have been responsible for more than £1.3 billion worth of regeneration funds which have come under European scrutiny, with doubts in Brussels leading to the suspension of payments earlier this year. We understand that some of these funds have now been given the all-clear, and payments will resume. But there are still funds totalling more than £500 million in dispute in this region alone. Unfortunately, nobody here is willing to answer our questions about them.

And it's not only at the Government Office that there's silence in the North West. No-one was available from Manchester City Council. We arranged an interview with a senior official of the North West Regional Assembly, representing local government, business, and the voluntary sector. At short notice the interview was cancelled. An official of one of the Partnerships spending the European funds agreed to be interviewed, only – once again – to cancel at short notice. We were told that someone very senior has decided that nobody should answer our questions. Before this apparently blanket ban was imposed, we were able to establish that officials are aware of some serious lapses in accountability for these huge sums of money. Some projects, we were told, are now unable to account for money spent in some previous years. As to what this will mean for the North West, one of the region's MEPs, Labour's Arlene McCarthy, does not sound optimistic.

**MCCARTHY:** It depends really what is uncovered in terms of the audit trail, and if there are gaps in the audit trail then clearly questions will be asked. But I have personally made it my business in talking to the Commission to say that I wish to ensure actually that that doesn't happen, that we do actually ensure where there is no fraud, no mismanagement and no irregularities, that my region will continue to receive the funding that it has been allocated.

**NORTHAM:** So how do you expect this negotiation dispute between Brussels and English regions to work out? Do you expect that there will be a substantial repayment of funds from the North West?

MCCARTHY: Well I think it's too early to say. I mean, there may well be a repayment of funds, as I said, if there is any evidence that there has been mismanagement or fraud, then there will have to inevitably be repayments.

NORTHAM: It's quite humiliating, isn't it, for an English region in a country which prides itself on its standards of probity, to be in the same position as if it were part of Sicily or Greece, which has been fined in the past?

MCCARTHY: Let's see what comes out of it. I mean, I'm not going to make any predictions about where the problems are. I think we have to see what levels of problems there are in the region and let's see if there are audit gaps, and if there are problems with fraud and mismanagement, of course money will have to be repaid.

NORTHAM: File On 4 can reveal that the North West is the region which is expected never to be able to meet Brussels' demands over some projects. We have established that, of the six English regions originally identified as unsatisfactory, two have managed to meet the required standard and will shortly have payments resumed. They are the East and the North East. Three more are expected to put their houses in order in due course – the West Midlands, Yorkshire and The Humber, and London. But expectations for the North West are dire. There are persistent fears that it will have to pay some of its £500 million grant back. In Euro-speak, this is called a 'financial correction'. In plain English it's a fine and it could run to tens of millions of pounds. For the Opposition, the Shadow Minister Alistair Burt says any fine would put the Government in a quandary.

BURT: The Government will have a difficult choice. Presumably it won't want to stop the continuation of these projects, and it faces a decision either to cut back on the amount of money given to an individual region in order to pay off the fine, to penalise all the regions concerned and top-slice all of them, or take it out of the general taxpayers' pocket. The bottom line for Britain is that this is money which only costs Britain because of Government error, and it means money which would have been applied to something else that the Government needs to spend money on will now be going by way of a fine, which is a pretty useless way to use taxpayers' money.

NORTHAM: In the end, this is going to hit the taxpayer, is it?

BURT: It is, and there's a sort of double whammy here, because the money that's coming to these regional programmes is, of course, partly from the contribution that Britain has paid in the first place. We pay into the EU and we want to make sure that we get something out of it. If it then turns out that we have to pay a fine as well, then it's a sort of double whammy on the amount of money that we've already coughed up.

NORTHAM: With no minister available for interview, the Government's statement says that 'further work should be carried out in Manchester before a final decision is taken, which we are now carrying out'. We asked the Government how much of a fine it expects from Brussels and whether central funds will make up any repayment demanded from a region. The Government's statement contains no answer to either question. For many regeneration officials, after years spending sums totalling many billions of taxpayers' money, the reckoning is at hand. To the Conservatives' Alistair Burt, the question is whether the Government is ready to face it.

BURT: The Government has tended to give the impression that everything will be all right on the night. If your information is correct, that indeed there is a continuing problem, well so far it hasn't come out either in newspaper articles or in any letters or statements to Members of Parliament. We should be a country that should not be needing to pay fines to the EU because of basic accountancy problems.

NORTHAM: But if we do?

BURT: But if we do, somebody has got to answer for it at a very senior level.

SIGNATURE TUNE