Devolving power
The case for regional government

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Introduction

The Labour Party's proposals for regional government need much more consideration. This pamphlet is a contribution to the debate.

Labour is committed to the establishment of regional assemblies not only in Scotland and Wales but also in England. This pamphlet spells out some of the fundamental implications of this policy: for Parliament, for local government, and for relations with the European Community.

Three cases, or arguments, more or less independent of each other, are advanced for regional government:

- regional planning – the co-ordination and location of industries and services. These, it claims, will only be optimised if regions have a large say in planning their economic futures;

- decentralisation – the view that government is at present far too centralised and that as much public administration as possible should be decentralised;

- the third argument is a consequence of the proposed reform of local government, which will give responsibility for most local services to district councils, and abolish the county councils. This will leave those services which require a larger scale of operation, or provide co-ordination across areas larger than districts, with an upper (regional) tier of elected administration.

The Labour Party wants the benefits of all three of these arguments, as the following quotation from its 1989 Policy Review (Meet The Challenge, Make The Change) clearly shows: "Our success in managing regional economies, ... and in providing regional services, ... will depend on a new strategic power to bring management, intelligence and resources together at a regional level ... The new regional authorities we propose will be a means of decentralising power from central government, but they will also be a means of extending power at a regional level. The vast bulk of local government services – services such as education and social services – ... will transfer to the district authorities."

Yet the three arguments press in different directions, and each on
its own would imply a different type of region. Thus regional planning is primarily about redistribution: it aims to make possible more investment (and better co-ordination of existing investment) in regions such as the North East. For these purposes, it would be possible to have an elected regional assembly in the North East, and in other areas that wanted one, and not in other parts of the country that were less enthusiastic. Decentralisation, on the other hand, implies a network of regions covering the whole country, including the prosperous parts of South East England, where regional consciousness is least. The arguments in connection with local government generally point to more, smaller regions, typically to the concept of a region as a town or city and its hinterland.

In order to explore these issues in more detail, this pamphlet has the following structure:

Chapter 1 examines the case for elected regional assemblies to bring about regional planning and economic development.

Chapter 2 is about the decentralisation of services from central government.

Chapter 3 is about local government and regional government.

Chapter 4 discusses how local and regional government activities might best be financed.

Chapter 5 is about regional boundaries.

Chapter 6 discusses the main constitutional aspects, and the methods of election.

Chapter 7 concludes, pointing to the main pitfalls and choices, and suggesting ways forward.
Regional planning

The powers of the proposed regional assemblies are outlined and the need for some form of regional economic planning is argued for.

The main argument for regional government is that an elected regional assembly will be able to ensure that its region gets a fair share of the resources available. The subsidiary argument is that regional planning can ensure better co-ordination of whatever resources are available. While this subsidiary argument is obviously valid, it is important to be clear that the main case for regional planning depends not on self-sufficiency ("Scottish oil for Scottish people") but on redistribution of resources from the South East, and indeed from the more prosperous parts of the European Community.

This argument involves convincing the residents of South East England that it is in their interests to pay to enable industries and services to locate elsewhere, thereby preserving (as far as possible) their environment and reducing congestion. But critics of regional planning would argue that the necessary redistribution might be more easily achieved through a strong central government department with a large budget for regional subsidies, than through elected regional assemblies in all parts of the country, each competing for investment. They could even argue that regions might hold back redistribution, allowing the centre to wash its hands of regional problems, telling regions such as the North East to plan their own economies with their own resources.

The Policy Review in its section on *A Productive and Competitive Economy* makes the case that regional planning will benefit all parts of the country: "Mrs Thatcher has presided over an increasingly severe regional imbalance between Britain's nations and regions. Those areas which depend heavily on manufacturing and assorted service industries ... were devastated by the destruction of one fifth of our manufacturing capacity in the early 1980s. With that loss of productive capacity has gone a loss of economic decision-making power, as ... decisions have been increasingly made in the South East ....

"At the same time, overheating in the South East has meant a sharp deterioration in the quality of life, with increased congestion, a severely
strained public transport system, more pressure on the green belt, housing shortages and unbalanced communities.

“Rural areas throughout Britain have also suffered from the unbalanced development. Rural communities have been replaced by commuter dormitories, and country people have been crowded out of affordable housing. Those remaining have seen their shopping and public transport facilities disappear.

“These problems can only get worse with the advent of 1992 and the Channel Tunnel ... It is therefore urgent, in everyone’s interests to find the means of establishing a better balance in our economy ...

“We shall make a conscious effort to devolve our nations and regions much more power and control over their own economies ... The new Scottish, Welsh and English regional assemblies will become powerful agents for economic regeneration in the regions”.

Regional plans

The regional assemblies would draw up regional economic plans, based on analysis of their important sectors of production. These would need to relate to national planning, eg, through inputs to and from sector working parties and research and technology planning. But they could be very specific, relating specific technologies to particular plants or companies. They will need to look carefully at the availability of sites for modern industry, and at the transport infrastructure, communications, research and training institutions, and other aspects of economic planning that have implications for large areas.

The regional plans would play a major role in negotiations with the European Community, especially in connection with the European Regional Development Fund (ERDF). The Commission already requires regional plans to be prepared, and is disappointed by the lack of detail and strategy in the regional plans that have been submitted by the British Government.

The regions would be allowed direct access to the Commission in Brussels as Strathclyde Region already has. In creating this type of region, Britain would be coming into line with most of the rest of Europe. It is an open secret that the Commission finds it easier to deal with devolved authorities (including the Länder in West Germany) than with most central governments; and has a long-term vision of a 'Europe of Regions' in which there would be a reasonably homogeneous regional structure across Europe.

Regional plans would need to be produced quickly, and subsequently revised. They would not be subject to the limitations put on structure plans, nor would central government be able to delay them, or insist on amendments, in the way it can with structure plans. On the other hand, the potential for conflict will remain: regions may well wish to develop
sectors which central government thinks should be developed elsewhere or not at all, or to preserve local employment which central government considers inefficient.

**Regional breakdowns**

To demonstrate the inequity in the present distribution of central government spending, regional breakdowns would be published and discussed by the regional assemblies. The aim would be to bring the regional breakdown of government spending (especially capital spending) out into the open. These breakdowns are likely to be controversial documents. Local politicians would obviously use them to argue that the distribution of spending was unfair, and that their particular regions should be getting bigger proportions of the total.

David Heald, at a seminar at the University of Birmingham last November, pointed out that at present very little data is available. Territorial breakdowns (ie, for England, Scotland, Wales and Northern Ireland) are only published annually in *Hansard*, in response to parliamentary questions. The figures do not appear in any official statistical publications, nor are they consistent with the Public Expenditure White Paper figures prepared a few weeks earlier, nor are they brought up to date when the expenditure figures are subsequently revised. Little analysis of government spending in the English regions has been undertaken since the regional Economic Planning Councils were abolished in 1979. The conclusions of such an exercise should not therefore be taken for granted; though it is likely that they would show considerable government capital spending in the South of England, on roads, the Channel Tunnel, and defence procurement. They would also probably show greater revenue expenditure in the North – on welfare benefits, and on provision (admittedly mostly by local government) of education and social services.

**Resources for regional plans**

The regional plans produced by the Economic Planning Councils in the 1970s were ineffective because those who wrote them had no real power.

The regional assemblies will therefore want to approve and finance their own capital programmes. They will also want to influence bids for capital spending from district councils in their areas, and from central government, and to argue for changes in the phasing of major capital projects (such as tidal barrages, or rail electrification). It would be desirable for the regions to take part in the Public Expenditure Survey Committee process by which central government spending plans are prepared and updated. They would comment on the regional break-
downs already mentioned, and bid for their own resources. It would also make sense for each region to be represented in the Cabinet by its own minister.

The Treasury will not welcome the resulting debates, or the pressure for increased spending though presumably it would welcome the greater efficiency that should result from the co-ordination of capital spending programmes at regional level – the present lack of co-ordination between central government departments is clearly wasteful. However, there is a danger that the Treasury will resist expenditure increases and will try to play one region off against another. This is one of the main arguments for a small number of powerful regions, large enough and strong enough to withstand this pressure.

**Regional development agencies**

Much of the investment expenditure in manufacturing industry would be undertaken by regional development agencies, or enterprise boards. The Policy Review speaks of “extending the role” of existing regional development agencies (presumably with the Scottish Development Agency and Welsh Development Agency in mind, although the former is presently being dismembered, and it should not be forgotten that the bulk of its spending went on urban renewal in the Scottish cities, and not on equity investments in Scottish companies). The authors of the Policy Review might also have had in mind the Highlands and Islands Development Board, and possibly the Newcastle-based Northern Development Company (although this is not an enterprise board, and at present receives very limited government funding, mostly for promotion and the attraction of inward investment). The Policy Review then commits the Labour Party to supplementing these with “the creation of a network of regional investment banks ... substantially funded by the British Investment Bank, but ... also free to raise further funds through regional bonds”.

The regional investment banks would presumably be controlled by the regional assemblies. One possibility would be for the majority of their directors to be appointed by these assemblies, with other directors appointed by the British Investment Bank, and perhaps the Treasury or Department of Industry. There might also be limitations on large investments, e.g., a requirement to invest jointly with the British Investment Bank if the total investment in any one company was above a specified size.

Where possible, these regional investment banks would be based on, and use the expertise of, the existing regional enterprise boards – Lancashire Enterprise Ltd., the West Midlands Enterprise Board, Yorkshire Enterprise, Greater London Enterprise, and possibly also the Greater Manchester Economic Development Corporation. It
should, however, be noted that:

- all of these are very different, with different histories and philosophies;
- the effect of the 1989 Local Government and Housing Bill (which puts severe restrictions on companies owned or influenced by local authorities) has been to force most of them to restructure themselves as free-standing independent bodies;
- the enterprise boards all, to varying degrees, have commitments which go beyond simply maximising profit. They are concerned with the terms and conditions of employment in the companies they support, with good labour relations, and with groups of people, locations, or types of employment (e.g., co-operatives) that cannot easily get support from other commercial sources of finance. None of these commitments should be lost in any reorganisation. Thus to convert the existing enterprise boards into regional investment banks may not be straightforward.

Markets and planning

Economic planning is not in fashion. But no one is suggesting that regional economies be placed in the sort of straightjackets that characterised Eastern Europe. What is needed is a sectoral strategy, so that resources are devoted to the development of technologies that can improve productivity. This would be supported with appropriate co-ordination of training, infrastructural provision, sites for major investments, marketing, etc. In no way would such plans try to supersede the market: they would supplement and support it. They are needed to correct a major market imperfection, i.e., the fact that unfettered market-led development will feed on itself and leave behind peripheral or declining regions.
Decentralisation and democratisation

This chapter details what services and departments should be decentralised and how they would be financed.

Decentralisation, the second argument for regional government, is primarily concerned with bringing democracy into areas where central government has considerable discretion but little local accountability. The National Health Service, responsibility for water supply and liquid waste disposal, and vocational education (ie, the Training Agency schemes) and Home Office services such as prisons and court administration are obvious candidates. Several government departments have regional offices, and much of their work could be made more accountable at regional level. There are also many quangos which disburse government money, and these could also be included in any plan for decentralisation.

Which services or departments should be decentralised and how they should be financed? In contrast to the arguments for economic development, those for decentralisation require that the whole country is divided into regions, and not just those parts which would have most to gain. If these regions are to be strong enough to be able to argue effectively for resources with central government, they need to be large regions rather than small ones, the same size as those needed for regional planning. The logical scale for any decentralisation is similar to that of the present ‘government standard regions’ — ie, about 8 or 10 regions covering England.

Labour's Policy Review proposes that the regions will take over functions from central government — and that only if there is no realistic alternative should services be transferred from the present county councils to the new regions.

Regional responsibilities

The Policy Review says simply “regional responsibilities of central government departments will go to the regions, as will some aspects of higher education”. Much of the time of regional offices is spent liaising
with other regional offices (Task Forces, City Action Teams, and other less formal arrangements). This co-ordination would be taken over by the regional authorities.

It would also be straightforward to decentralise most of the work of the regional offices of the Department of Industry, and the Department of Employment. Decentralisation to the regions should include regional investment subsidies (ie, regional policy) and advice and consultancy services to industry, as well as the Training and Enterprise Councils (TECs). These are currently being created by the Government to take responsibility for the vocational training programmes run by the Training Agency (ie, those set up by the Manpower Services Commission, in particular the Youth Training Scheme and the Employment Training Scheme).

However, a large amount of the time of the regional offices of the Department of the Environment is spent scrutinising and approving local government plans. There is thus a major issue of principle, as to whether the elected regional authorities should take over these roles. Were they to do so, this would bring the processes out into the open (at present comparison between one district's Housing Investment Programme and another's is almost impossible, and no one really knows whether political considerations are taken into account when Housing Investment Programmes or Urban Programmes are decided). However, it would also introduce an element of instability and conflict, because districts who did not like what they received from regional authorities would feel very aggrieved. They would at least try and lobby directly in Westminster and/or Whitehall, and perhaps even campaign against the whole concept of regions.

The Policy Review states explicitly that “the spending programmes of the districts will be controlled by the districts themselves”. If this principle was fully applied – enabling districts to spend as much as they wished provided they could raise the money – there would be less of a problem.

The quangos

Similar considerations apply to a number of important quangos, many dealing with important environmental issues, which could be decentralised. The Rural Development Commission, English Estates, the Countryside Commission (ie, including National Parks), the Nature Conservancy Council, the National Rivers Authority, the Forestry Commission, the Sports Council and perhaps the Arts Council and English Heritage, are all candidates for devolution. Most already have regional offices. They all spend reasonably large sums of money on projects of mainly regional concern, and all suffer at present from being unaccountable and vulnerable to changes in government priorities.
Most of them give grants, primarily to companies or individuals, but also in some cases to district councils, so there would be some potential for conflict, but clear gains from more openness and justification of decision making.

**The National Health Service**

The way in which the National Health Service is administered by an incoming Labour government will be a litmus test of the seriousness of its commitment to democracy and regionalism.

The Regional Government section of the Policy Review states boldly that: “The regional assemblies will assume responsibility for the joint planning role of the Regional Health Authorities, which will be abolished”. The section on the health service itself (part of the report on *Consumers and the Community*) does not mention this, although it does “propose to integrate health authorities in England and Wales with Family Practitioner Committees and, where possible, for these new authorities to share boundaries with those of local government” (districts or regions, or were they still thinking counties?). It also suggests local authorities taking responsibility for such things as “conduct(ing) health audits reviewing the state of health of their communities and setting their own local targets for reducing avoidable illness and health inequalities. Local authorities should consider (sic) the health implications of their policies, appointing a Medical Officer of Health and/or establishing a health committee”.

This does not suggest a full commitment to democratise the health service. Even the discussion of community care falls back from a commitment to full democracy: “...we intend to require health and local authorities to develop ‘quality programmes’ including consultation with service users; better information about services and standards; a simple, accessible complaints procedure; a programme for staff training; and regular ‘quality audits’ of health authority services ... We believe that a single national (sic) agency is needed to set standards, to ensure that registration, inspection and assessment are based on these standards, to share good practice between providers, and to help local service providers develop their own quality programmes”. This type of thinking would entrench the centre, whereas there is clearly a case for regions and/or districts planning their own levels and forms of hospital provision (bed numbers and specialisations, staffing levels, and training).

Clearly, health care has many facets. Some of these, for example the location of certain research facilities or very special units, involve decisions which need to be taken at central government or at least not below regional level. The efficient planning and the day-to-day administration of primary health care, preventive medicine, and hospitals
providing the most common treatments and out-patient services, is something of immediate concern to local communities, and can be administered by quite small district councils (see next chapter).

The logic of this is that the NHS regional tier should be maintained, and its boundaries moved to coincide with whatever boundaries are chosen for regional government (with a transition period if necessary). Instead of being abolished, the regional health authorities should be responsible to the democratically-elected assemblies, and become the main channel of government resources into the health service.

For the local services, resources would go either directly to general hospitals and Family Practitioner Committees, or to district councils which would fund them.

Eventually, the regional authorities could raise their own taxes to pay for basic health service provision. But this would be too great a reform to bring in at once, so initially the money for a basic level of health service provision would come to the regional authorities from central government, in the form of a grant specifically for this purpose.

**Water and sewerage**

Even without water privatisation, control of water and sewerage would present problems for regional planning, since water authority boundaries follow catchment areas and sources of water, and bear very limited relationship to settlement and commuting patterns.

The Policy Review commits an incoming Labour government "to ensure that water is provided in a form of social ownership", but also to provide "coherence and stability in water management". This suggests that the privatised water authorities will remain, but with the government either taking majority stakes in them, or finding some other way of exerting control, short of renationalisation. The Policy Review gives a clue to this sort of thinking when it speaks of "an expanded consumer directorate ... a real consumer watchdog, a central forum of the sort advanced by the main consumer organisations, with a proper representative structure at local and national level".

It would seem appropriate to place this responsibility at regional level. Regardless of whether present company structures remain, the regional authorities should be responsible, as representatives of consumers of water, for the supply of water to, and disposal of, liquid waste from properties within their boundaries. They would thus define the quality standards of supply, monitor the supply, and initiate action if water was not supplied as agreed. There would no doubt be fierce debates where two regions served by the same water supply wanted different water quality standards; but these problems would be relatively few and far between.
Training

Vocational Training, Higher and Further Education, including FE colleges, colleges of higher education, polytechnics, and most of all universities, are candidates for transfer to regional government. Labour is likely to want to retain the existing training schemes in some form, and to keep the TECs (reforming them to increase local authority and trade union involvement). So, it would be logical for TEC central finance to come from the regions, since labour markets are not contiguous with district boundaries, and there are strong grounds for seeing training as a regional responsibility, closely linked with labour market research and planning. By the same token, colleges are regional, and to administer them alongside the ex-MSC schemes would allow sensible co-ordination and use of facilities. A strong case can be made that the teaching activities of universities and polytechnics are essentially regional and therefore could be more responsive to regional opportunities and needs. Some research funding is obviously national, but increasing proportions of research and development work in universities and polytechnics relate to the needs of their local (regional) economies.

The Home Office services

The case for police and fire services, and civil defence, becoming regional responsibilities is discussed in the next chapter. The probation service can be seen either as an adjunct of social services (which suggests that it should be administered at district level) or of the courts. Magistrates and crown courts could well be administered by the regions. The prison service already has a regional structure. There is in fact a strong case for administering a cluster of Home Office services together at the regional level (police, magistrates, crown courts, crown prosecution service, prison service, probation service), thereby allowing regional direction and variation, and regional responses to different types of social problem and crime. Responsibility for the judiciary and legal professions, including appointment of judges, would need to remain a national responsibility.

Transport

This is another service where different aspects require different scales of operation. Thus regions could ensure that transport plans were integrated across district boundaries. Other regional transport responsibilities would include trunk roads (but probably not motorways), passenger transport authorities, airports, inland waterways, harbours, flood protection and coastal defences.
Regions and the reform of local government

Labour’s policy of giving greater powers to all district councils needs more thought. There is a danger that the smaller councils will be unable to maintain the quality and provision of service.

The third argument for regional government arises because the Labour Party is committed to strong “most-purpose” district councils, and to the abolition of the existing shire county councils. The Policy Review puts the position in the following terms: “In 1987 we stated that our preferred approach would be to create most-purpose local authorities, based wherever appropriate on existing districts, with responsibility for education, social services and most other county functions. The counties as administrative units, would then be dissolved and only functions which could not sensibly be exercised by districts, such as strategic transport planning, would transfer to a new regional tier. The responses to our consultation paper and the separate submissions we have received as part of the Policy Review support that model”.

It is instructive to separate this logic into its constituent steps, and to consider these in turn. The logic is as follows:

- the large Labour-supporting free-standing cities and towns (such as Bristol, Hull, Leicester, Norwich) and somewhat smaller cities or towns such as Oxford, Reading or Brighton, lost their responsibilities for education and social services in the 1974 reorganisation, and want them back. There is no doubt that authorities of this size can run efficient and effective education services;

- existing district boundaries should not be changed. To do so would either entail mergers of existing small districts, or it would involve the larger cities and towns taking over more of their hinterlands— which they do not want, nor do those who live in those hinterlands;

- even the smallest districts can manage education and social services. If they did not feel confident in doing so themselves, they could
either combine voluntarily with their neighbours, or contract out, to other larger councils or to the private sector. Very small councils in Europe and the USA often do take responsibility for services such as fire or education, on this type of basis;

- removing education and social services from the counties would give them very little reason for continuing to exist. They should therefore be abolished;

- however, some services, such as fire, police and the aspects of transport and planning that require a larger scale of operation, could not be acceptably run by very small districts, and should move up to a regional tier of elected government. Broadly, this would apply to the services run by the metropolitan county councils until their abolition in 1986.

Taking these points in turn, the first is evidently correct. The second is wise from a political point of view: there is little mileage to be gained from forcibly altering district council boundaries against the wishes of those who live there. The scars of the forced amalgamations of 1974 are still with us – as are the names culled from history books or created from other names at that time. How many people can identify with, or even locate, Kirklees, Thameadow, Tameside or Wansdyke? Amalgamations either involve merging free-standing cities with the country areas around them (eg, Norwich with Broadlands) which will seldom satisfy either; or they involve merging two rural areas each with a market town and administrative headquarters that may well have been rivals for centuries, so that merger finally means that one of the two has ‘won’.

The final point is much more contentious. The implication of not reviewing district boundaries is that there will be some very small most-purpose districts in rural areas. Several of these will have populations of less than 30,000, and the smallest only 25,000. Some of these will have as few as two secondary schools within their boundaries, with many children bussed to larger towns in other districts (eg, from Kennet into Swindon).

There is no intrinsic reason why very small districts should not be responsible for their own education. Indeed, the principle of the 1988 legislation (“decentralised management of schools”) is that individual schools can be responsible for their own running, buying in external services when they need them. Some of the small rural districts might willingly decide to do so jointly with neighbouring districts. It is even conceivable, though unlikely, that all the districts in an existing county might decide to work together, thereby continuing the work of the county education department and its planning. But it is more likely that many of these district councils would simply opt out of education,
allowing their schools to run themselves – either through decentralised management, or through formally opting out. It is ironic that a Labour government would be encouraging this tendency. Common educational services, such as special education or advisory services, would cease to exist in these areas. Nursery education would only exist in the private sector. If the Labour Party wants to make a serious commitment to quality education for the children of those who cannot or will not want to pay for their education, it is hard to see how it can justify handing over the education service to many of the smallest district councils.

A similar perspective informs social service provision. On the one hand, there is no reason why a core provision of social services should not be arranged on a district basis. In some situations this would be supplemented by collaboration or buying in of more specialised social services – for example, certain types of residential homes, help with child abuse, or fostering. But there is no certainty that many districts would be prepared to pay for joint services to be provided on this basis. So whole areas of provision would cease to exist. Ironically, this would happen just as county councils took responsibility for ‘care in the community’ under the modified Griffiths proposals.

Services that would not be devolved to districts include the police and the fire services, and civil defence. At present, the police are barely under local control anyway. Staffing levels and many aspects of policy are controlled by the Home Office centrally; while many operational matters – crime squads, drugs squads, fraud squads, but also police training – are undertaken at a regional level. Placing responsibility for the police at the regional level would partly recognise an existing situation, but it would also make possible much more stringent reviews of policing policy and capital spending. Entrenched consultation arrangements with district councils would need to be built in, in order to ensure that local views on the conduct of specific aspects of policing were listened to and taken on board; again these would probably be more effective than is possible in the present structure.

The fire service is more difficult. Clearly many small districts are too small to run their own fire services. But it can be argued that a region is too large an area – although there would almost certainly be some economies of scale. On balance, if a choice has to be made between assigning responsibility to districts or regions, it should go to the latter.

Consumer protection is a much more sophisticated service than it used to be, with greater public awareness of the health risks of foods, toys and consumer goods. There is need for local services of inspection, and for improvement in the district environmental health officers’ capacity to provide this. But the laboratory and testing facilities need to be on a larger scale, as does the related legal services (leading to prosecutions) and the public relations which has become an important part of consumer protection in recent years. The markets for many
products are certainly not confined to one district, and arguably even a region is too small a unit here. There is a strong case for responsibility for consumer protection being shared between regions and districts, with the regions having the over-riding responsibility to provide laboratory-testing facilities, and to organise campaigns against poor quality or unsafe merchandise.

The arguments for waste disposal being organised on a larger scale than a district have been well rehearsed. It is a particular problem when district boundaries are drawn tightly around built-up areas, when there may be a number of suitable tipping sites not far away. However, this is also a service which needs an integrated modern approach, as policy moves away from landfilling to recycling and incineration. Thus regions would simply take over present county responsibilities, leaving the districts to organise the collection of domestic and non-domestic waste.

The arguments for strategic land-use and transport planning have already been alluded to. Were these to be confined to a district level, the likely results would be either lack of co-ordination or de facto central government decision making.

It is no coincidence that the services discussed above are precisely those which were held by the metropolitan county councils between 1974 and 1986. The districts in the metropolitan areas were given responsibility for education and social services, but it was clearly perceived that these other services needed to be managed on a larger scale. The experience of the metropolitan county council areas since their councils were abolished is broadly that these services continue to be managed at a county level, but by joint boards which risk fragmentation and which are expensive and cumbersome to run: a solution which is neither efficient nor effective.

In conclusion, the Labour Party’s position needs more careful thought. It is one thing to give education and social services back to (say) 20 large ‘free-standing cities’ but quite another to give it to all the district councils of less than 100,000 population. Almost certainly the latter would result in drastic loss of service quality and provision. It is true that complex services are run by very small councils in parts of Europe (Scandinavia) and in the USA. But this is on the basis of collaborative arrangements developed over many years, and contracting out on a large scale. There is no certainty that such collaboration could be made to work in this country.
The financing of local and regional government

The next Labour government should reform local government finance. The poll tax should be abolished as soon as is practicable and replaced by various measures.

Since the reform and decentralisation of local and central government is proposed, it is necessary to consider the finance of both together. The failure to do so led to the unstable local government financial arrangements of the 1980s (the report of the Layfield Committee coming after the basic structure of the 1972 Local Government Act was set).

At present, local government net revenue spending is financed from rates on property (53 per cent) and grants from central government, divided between specific grants, which can only be used for purposes specified by central government (12.5 per cent), and block grant which can be used for any aspect of local government expenditure (29 per cent). Capital is controlled mainly by central government approval for ‘allocations’ for specific capital projects, supplemented in several ways, the most important of which is from capital receipts, i.e., the income received from the sale of capital assets such as council houses. Once the size of a council’s capital programme is fixed, the money to finance it can be raised in any way — but most notably by borrowing on the capital markets, grants from the ERDF and (for transport projects only) from central government, and capital receipts.

However, from April, there will be new forms of both revenue and capital financing for local government. Domestic rates will be abolished and replaced by personal community charges, or poll taxes. Non-domestic rates will still be collected by local government, but at a standard rate across the whole country; the income from this source will then be distributed back to local government on the basis of population. The specific grants are likely to remain much as before, while the block grant formula will be made simpler (but as a consequence it will take less account of specific local needs). Capital controls will once again be on the amount a local authority can borrow, no longer on the amount
it can spend.

In looking at the total system for local and regional finance, the following sources of finance are therefore to be considered:

- a local property tax or rate, based on capital values;
- the poll tax;
- local income tax;
- local excise taxes;
- grants from general taxation, either specific grants and/or block grants;
- borrowing (including grants from the ERDF), capital receipts, and other sources of capital.

The Policy Review dealt with this aspect as follows: "Fairness and justice will be at the heart of Labour's alternative to the inequality and injustice of the poll tax. Our proposals ... will link a new property tax with the income of those living in the household. We will ensure that our alternative is clearly based on the ability to pay. We would also restore business rates as a local tax. Local authorities and the regional tier would both be funded through our new system of local government taxation. We do not believe it would be sensible to split the tax by giving the regional tier the more buoyant element based on income as this would undermine our proposals for the key roles to be played by both regional and local government".

In principle, the taxes chosen should be "the least unpopular", while recognising that no tax is popular. The system must give both regional and district authorities incentives to think and plan before they spend, and not to spend unwisely or for the sake of spending. At the same time, it must allow as much independence and freedom from control as possible. It must include an element of redistribution, while allowing for local variation in levels of service provision and spending. Predictability is very important, both for local governments and for businesses who pay local taxes. Grant and tax levels need to be known at least two years ahead. Local government spending on revenue or capital should not be used as a tap to control the level of macroeconomic activity in the economy.

Some parts of the jigsaw are relatively clear. For example, if redistribution is to have a role in local and regional finance, then a significant part of the total spend must be financed from grant. Inevitably, central government will be interested in how local government is spending this money. The precise proportion of local/regional spending financed by grant depends on the powers of local and regional government. In particular, if the NHS was financed regionally, it would be
inevitable, at least for an initial period of years, that it was financed by a specific grant or set of grants to the regional authorities.

It would also be straightforward to restore business rates as a local tax, and it would be sensible (though not popular in rural areas) to include agricultural land and especially buildings in the tax base. Non-domestic rates will, under present proposals, be based on contemporary capital values. These could be updated annually using regional indices of property prices, and fully revalued every five years. This would be a very buoyant tax (contrary to the Policy Review statement quoted above). It might be necessary to retain some limitation on this tax, however, as otherwise some councils might set very high levels of business rate.

Domestic rates could also be reintroduced, perhaps not immediately (it might be sensible to let people see the inequity and complication of the poll tax!). These too would be based on capital values, and justified primarily as a tax on wealth, and progressive in that sense, and as a tax on occupation, giving market signals to the users of large properties. As in the past, domestic rates would be subject to rebates for those on income support.

Local Income Tax (LIT) is used to finance local government services on the Continent, and has long been argued for in this country, not least by the Layfield Committee. Computerisation of the Inland Revenue makes it easier to implement, though still complicated, and the Revenue would protest long and hard. Preparing an income tax return is not pleasant, and consumers should not be expected to do it twice. So either LIT would have to use the previous year’s tax codes (with injustice to some of those whose tax circumstances have changed since then), or the local element would have to be collected by the Revenue as a local supplement to the current income tax calculation, and passed on to local and/or regional government. This is the mechanism used on the Continent, and usually recommended for this country.

There is also a strong case for allocating some small, cheaply collected taxes to local and/or regional government (as in France), eg, the power to levy excises on petrol, vehicle licences, tourists, electricity.

Thus revenue expenditure would be financed from non-domestic rates, domestic rates with an effective rate rebate system for those on low incomes, a supplement on the standard rate of income tax, and a number of other local taxes. The poll tax would be abolished as soon as the alternatives were in place: realistically, it might be necessary to keep it for at least one year after Labour took control.

Capital expenditure would continue to be financed largely by borrowing. The amounts borrowed should be limited only by the ability to service the resulting debt prudently, although the central government might decide to retain an over-riding power to intervene in situations where a local or regional authority was borrowing recklessly.
Boundaries

England should be divided into ten regions, large enough to be capable of taking real power away from central government and to plan economic regeneration.

Labour's Policy Review reports that, having considered various possibilities, "we believe that it is possible to construct about ten regions in England – which make geographic and economic sense and reflect regional identities where these exist. Decisions on these boundaries will not be reached until we have had extensive consultation. The creation of regional government in Italy, France and Spain suggests that regional consciousness develops as its value is perceived and as it secures local interest. Our policy of 'regionalising' central government and devolving power to regional assemblies would, we believe, itself confirm and accelerate the development of a regional identity".

There is, of course, a conflict between these last two sentences and the sentence preceding them. If "regional consciousness develops as its value is perceived", then it does not unduly matter what the boundaries are. Extensive consultation is unlikely to lead to any particular consensus – and could easily undermine the whole process. This is particularly likely to be the case in the South East of England, where the advantages of regionalisation lie not in additional investment but in the removal of some employment and associated congestion to other parts of the country. The only way to make progress will be to use boundaries which are broadly reasonable, and to have confidence that regional consciousness will inexorably develop.

If regions are to be created within the first term of a Labour government, then it will not be possible to involve the Boundary Commission in the creation and mapping of new boundaries. In practice, this means that the boundaries of the regions should be built up from existing county boundaries. A by-product of this is that it will preserve continuity in negotiations and planning with the European Community.

On the Policy Review's assumption of ten regions for England, I propose the following:
1. Greater London Old GLC area 7.2 million people
2. South Coast Kent, East Sussex, West Sussex, Hampshire, Isle of Wight 4.1m
3. South West Cornwall, Devon, Somerset, Dorset, Avon, Wiltshire, Gloucestershire 4.2m
4. Thames Valley Oxfordshire, Berkshire, Surrey, Buckinghamshire, Hertfordshire 3.6m
5. Anglia Bedfordshire, Cambridgeshire, Essex, Norfolk, Suffolk 3.6m
6. East Midlands Derbyshire, Nottinghamshire, Lincolnshire, Leicestershire, Northamptonshire 3.7m
7. West Midlands Shropshire, Staffordshire, Warwickshire, W. Midlands, Hereford and Worcs. 5.7m
8. West Pennines Lancashire, Merseyside, Greater Manchester, Cheshire 6.5m
9. East Pennines North Yorks., West Yorks., South Yorks., Humberside 4.8m
10. Northern Northumberland, Durham, Tyne & Wear, Cleveland, Cumbria 3.2m

These proposals make various assumptions. For example, that Cumbria is included in the Northern Region, since any other solution leaves that region short of population. Cornwall and Devon are part of the South West Region for a similar reason, although special sub-regional arrangements might be considered. A London Region with the boundaries of the old GLC is proposed, and then three regions surrounding this: a Thames Valley Region (the difficulty here is where to place Surrey), an Anglian Region to the north-east and a South Coast Region to the south. Bedfordshire is placed in the Anglian Region rather than in the East Midlands. All these have reasonably compatible population sizes, and unity around motorway corridors (the M4, M11 and the M25 – M3, M23, M2 network).

Cases can, and no doubt would be made for smaller regions. Devon and/or Cornwall have already been mentioned. The North West Region includes three sub-areas (based on Manchester, Liverpool and Preston). So these boundaries are in no sense perfect. But in discussing regions, sight should not be lost as to their purpose: they have to be big and strong enough to take real power away from central government, and to plan economic regeneration. The implications of a small number of large regions are imperfect boundaries; but smaller regions would probably produce at least as much disagreement, as well as being less effective as operational units.
The means by which regional government would be carried out need to be specified: the numbers of councillors, how they would be elected, whether they would rule through committees (as in local government) or ministries and a cabinet (as in central government).

If regions were constructed on the basis of existing counties, then constituency boundaries could be either existing district boundaries or county boundaries. There would undoubtedly be pressure to elect councillors through proportional representation, not least because this would be the most likely way of preventing several of the regions being under more or less permanent Conservative control. A more principled argument would be that this would allow a range of political representation from each geographical area. If PR was used, then multi-member constituencies could consist either of existing districts, or (perhaps better) counties, with numbers of elected members in each case determined by the number of electors (e.g., on the basis of one member for 60,000 or 80,000 voters). This would lead to councils of about 60–70 elected members. This would allow a committee rather than a cabinet system – and this would appear to be more open and democratic, and therefore preferable.

Regional councillors should not be given greater status than district authority councillors. Thus, while in principle councillors should be paid, it would be unsatisfactory if all regional councillors were paid, but only some (e.g., chairs of major committees) in district authorities. The correct principle should be one of paying for work done. Thus, if chairs of major committees need to be more or less full time, they should be paid. However, there may still be a place for lay councillors who are not expected to work full time, and are able to continue other employment.

With any reasonable system of PR, most regional assemblies would be hung. Labour might expect more than 50 per cent of the popular vote in the Northern Region and the West Pennines in a good year. The Conservatives would take the South Coast and probably Anglia. On
plausible assumptions for the remainder, no single party would have overall control. Large areas of the country would have the chance of electing a Labour representative for the first time, and the assemblies would be committed to serious regional planning. Elections on this basis would no doubt be keenly fought.

Ideally, one would like to entrench the central aspects of a reform of this nature – or at least to prevent abolition by a hostile central government at some future date. A written constitution would assist, and perhaps delay, but in so far as the regions depended on central government for much of their finance, there is no doubt that, in the last resort, real power would remain at the centre.

A referendum has been suggested, prior to the introduction of regions. There are strong arguments against, similar to those against a lengthy consultation over boundaries. The result would not be easily predictable, and could easily bring the whole process of creating regional government to a halt.
Conclusion

The next Labour government must carry out a comprehensive reform of local government to decentralise power and help revive regional economies.

The Labour Party has made a historic commitment to divide England into regions and to accept the consequences. It seems unlikely that the full implications of this had been thought through at the time the commitment was made. The strongest advocacy has come from those concerned with regional planning and economic development in Northern England. But the Party's proposals for decentralising power from central government, democratising the health service (if that is the intention), and reforming local government, require regions right across the country. As in France, or in the old metropolitan county areas in England, such institutions would almost certainly become legitimated and accepted within a few years. They would play an increasing role within a 'Europe of Regions', and they could perhaps play a pivotal role in the re-creation of a manufacturing industry base in this country. They are also an essential feature of the Party's proposals for the reform of local government, and could conceivably provide the basis for its proposals to reform the House of Lords.

This pamphlet has shown that there are still choices to be made: about boundaries, about functions, about the relationships of regions to both central and local government.

Until now, every proposal for regional government has failed at the last fence, if not before. Labour now has the opportunity to change the landscape, to decentralise power, to reform local government, and to revive the regional economies. The arguments are very strong, as the Policy Review shows, if only the Party in office has the will.

Labour is, in any case, committed to regional assemblies in Scotland and Wales, which will create irresistible pressure for a similar assembly in North East England. It has made commitments to return education and social service powers to the district councils. If it does not carry out at the same time a comprehensive reform, then a patchwork of overlapping arrangements will emerge, which will not guarantee either economic regeneration or a consistent and high level of service.
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Devolving power: the case for regional government

The Labour Party is committed to setting up regional assemblies not only in Scotland and Wales but also in England. But Andrew Coulson believes that much more thought should be given to the implications of this policy for Parliament, for local government and for relations with the European Community.

The strongest lobbying for regional government in England has come from the North East. But, Labour's stated aims of decentralising power, democratising services such as the NHS and the reform of local government would require regions throughout the country.

He puts forward some suggested regional boundaries which he believes would become accepted within a few years. The regions, he argues, would have an important role to play within a 'Europe of Regions' and would have a vital contribution to make to the regeneration of Britain's manufacturing base by, for example, drawing up quickly regional economic plans, which would be used in negotiations with the European Regional Development Fund. Also, regional investment banks, controlled by the regional assemblies, and based on the existing enterprise boards, should be created.

But Andrew Coulson argues that it is essential for any reform of the structure of local government to be accompanied by reform of local government finance. The poll tax should be replaced as soon as is practicable with a variety of measures including a local income tax and local excise taxes, similar to those already used on the Continent.

And he believes that the proposed regional assemblies should be elected by proportional representation which would allow a range of political views to be represented and would ensure that the elections were keenly contested.

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