

This report reviews the contribution of both domestic and international research evidence, and commentary, to the debate surrounding the development of regional government in England. It focuses on the potential form and remit of regional government within England, and on the implications and rationale for its development.

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Regional Government in England: A Preliminary Review of Literature and Research Findings

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October 2000

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EXECUTIVE SUMMARY

Introduction

- a. The focus of this paper is on the potential form, and remit, of regional government in England. It represents a preliminary review of the contribution of both domestic and international research and commentary to the debate surrounding regional government, and identifies those areas where research is scant or findings inconclusive (paragraphs 1.1–1.2). In doing so, however, it cannot vouch for the rigour or reliability of the research it draws upon, nor the representativeness of its findings.

Development of, and rationale for, regional government

REGIONAL ADMINISTRATION WITHIN ENGLAND

- b. Research into regional governance demonstrates the density of regional decision-making across the public and quasi-public sectors, with a plethora of regional administrative structures and roles operating from within a wide diversity of regional boundaries. Regional structures are mostly concerned with the delivery of functions rather than the management of territory, and they operate for administrative convenience. Taken together, the research argues, regional boundaries do not offer a clear basis from which to proceed towards regional government, though they highlight choices and the implications of pursuing particular courses (paragraphs 2.1–2.5).

THE FORM OF REGIONAL GOVERNMENT

- c. Reviews of international systems of regional government suggest that the form of regional government is not fixed: it is *dynamic* rather than *static*. Approaches and practice across countries, and regions within them, differ considerably, although the domestic literature has largely not progressed beyond the rhetoric of regional devolution. Internationally, countries range along a continuum from classic unitary states to federal states with autonomous regions. Those who have embarked upon regional devolution generally divide into two, though there is no clear distinction.
- d. Regional decentralisation (or devolving unitary states) have developed regional structures which fulfil a co-ordinating or administrative role. They effectively constitute an additional tier of local government at the regional level and compete for influence and funding on that basis. Political regionalisation (or regionalised states) refers to those who have developed autonomous self-governing regions, with a larger degree of autonomy and wider competencies and, potentially, legislative powers and constitutional status. However, in practice this distinction is not entirely clear. Though it may be useful in delineating the broad spectrum of international experience, it does not point to specific models, and there would appear to be little associated research into the wider definitional issues (paragraphs 2.6–2.7; 6.1–6.7).

- e. There is no norm to which the UK is an exception, and no agreement amongst domestic commentators on what regional tiers should look like or how they should operate. Current practice, in European countries and more widely, cannot provide a blueprint that can be applied to England, though it provides significant room for manoeuvre regarding the format of regional government (paragraphs 2.9–2.10).

THE RATIONALE FOR REGIONAL GOVERNMENT

- f. The arguments surrounding the merits (or otherwise) of regional government are well rehearsed in the literature, though there is little research evidence to support them. Arguments centre around four key areas: democratic arguments; economic development pressures; European imperatives and technocratic requirements. In many respects, the arguments can be viewed as mutually reinforcing. There remains no consensus within the literature, partly as a result of the lack of any substantive evidence but also because of the very ambiguity of the term regional government (paragraphs 2.11–2.13).

Democratic arguments are based on, first, the potential role of regional government in adding accountability through devolving powers from central government and unelected bodies and, second, through permitting a more direct forum for the expression of diverse regional identities and needs. Critics argue that regional government will reduce accountability by transferring powers from local government. Further, counter-arguments question the degree to which regional identity and political consciousness might be said to exist in England (paragraphs 2.14–2.22).

Economic imperative arguments rest on notions of regional government as a key driver of economic performance through development of economic strategies and co-ordination of development needs. Evidence supports the importance of institutional capacity in regional development but critics argue that the case for regional government (as distinct from regional intervention) is unclear. They further argue that the effect of political devolution will exacerbate inter-regional competition. Advocates point to the wider ‘brokerage’ role that can be performed by regional government in dealing with the complexity of cross-cutting issues like economic development, transport strategies and sustainable development (paragraphs 2.23–2.29).

European imperative arguments rest on notions of the increased importance of the regions within the EU and their role in ensuring proper access to funding and decision-making. Critics argue that the role of the regions has been overstressed: the nation state remains pre-eminent and those countries without a regional tier of government do not appear to be disadvantaged. In any case, critics suggest, the pressures are not sufficient to justify reconfiguration of domestic systems of governance (paragraphs 2.30–2.32).

Technocratic arguments are drawn from the perception of regional government representing ‘good’ government in terms of efficiency and effectiveness, and that certain functions demand a more strategic co-ordinated approach. Counter-arguments stress the lack of value-added from a regional tier given the relatively large-scale local government within Britain. Evidence from Europe does not indicate a clear relationship between authority size and capacity for effective management (paragraphs 2.33–2.35).

WHAT WOULD REGIONAL GOVERNMENT DO?

- g. Domestic research literature on regional government has not moved onto questions of implementation: little attention has been paid to its potential form and capacity and the implications of different approaches. The international literature provides scope for comparison, though there have been few systematic attempts to explore the transferability of those lessons (paragraphs 3.1–3.2).

FUNCTIONAL COMPETENCIES AND ADMINISTRATIVE CAPACITIES

- h. Internationally, the functions undertaken by regional government vary significantly, from narrow administrative capacities (for example, France), to broad remits entrenched in written constitutions (for example, Spain and Germany). Similarly, regions perform a number of distinct administrative capacities, which may vary by service area, including direct provision, strategic powers and scrutiny and consultation powers (paragraphs 3.3–3.5).
- i. There is no clear distinction as to what functions constitute regional matters. Discussion focuses around notions of ‘wider interest’ or the necessity for strategic capacity, and emphasises that powers will necessarily need to come down from the central level. A related concern is aired within the domestic literature regarding the extent to which regional government might acquire local government functions rather than decentralisation and, on the basis of international evidence, the need for local government to have constitutional and judicial protection of their functions is stressed (paragraphs 3.6–3.9).

ASYMMETRIC POWERS

- j. Not all regions need to necessarily have the same powers at the same time and the international literature provides evidence of countries who have devolved different powers to different regions. Supporters argue that this allows reflection both of different regions’ capacity to carry out functions and the political support for doing so. Critics argue that there are costs associated with such asymmetric or incremental approaches, in that they may impede regional co-operation and therefore reduce efficiency in the conduct of intergovernmental relations (paragraphs 3.10–3.13).

LEGISLATIVE AND STRUCTURAL ARRANGEMENTS

- k. The need for legislative powers within regional government is a key issue across the literature, though reviews have been confined to the potential form rather than the impacts of different approaches. These could take a variety of guises, including subordinate legislation or framework legislation. The legislative issue raises fundamental questions particularly in relation to the extent to which diversity in policy amongst regions is deemed acceptable (paragraphs 3.14–3.15).
- l. There is agreement by commentators that the structure of regional government will symbolise the nature of it. It could be based on a number of forms, including the local government committee structure, the Cabinet system or a new approach such as the Mayoral system of the GLA. The alternatives have implications for the electoral process and the nature of the representatives, though domestic research does not exist into the shape of those implications (paragraphs 3.16–3.17).

RELATIONS WITH EXISTING TIERS OF GOVERNMENT

- m. Little primary research has been undertaken examining the implications of regional government for existing government structures and organisations. A relatively large body of advocacy work exists examining the issue from a local government perspective. The thrust of this work essentially argues that the relationship with local government may initially be tense given their potential or actual loss of functions to regions and the increased supervision that devolution may entail. International experience appears to add some credence to these fears, though in the longer-term, European evidence reveals significant levels of interaction and joint working. It remains, however, that local-central relations become more complex, and the maintenance of a two-tier system of local government is questioned in the literature (paragraphs 3.18–3.22)
- n. The development of regional government challenges both the powers and existence of subregional intermediate organisations. There is little domestic literature examining the impact, though there is an implicit assumption that regional government constitutes an improvement on the basis of functional co-ordination grounds. Critics refute this point, highlighting the (political) need for central monitoring of regional government and arguing that it merely replaces one set of structures with another. Whether the value-added of regional government takes the form of partnership synergy *writ large*, or whether there are more fundamental issues, has not been explored (paragraph 3.23).
- o. The impact of regional government on central government structures are little explored in the research, though recent work is starting to identify relevant questions. The research presents evidence that the international ‘norm’ involves decentralisation and the devolution of powers down from the centre. If this model is pursued, it will necessitate movement of policymaking from Whitehall. In itself, this could exacerbate co-ordination problems, though there may be a role for an overarching Secretary of State for the regions. The reform of the House of Lords raises questions surrounding its role as a representative chamber for the regions, akin to that within federal systems (paragraphs 3.24–3.28).

What would regions look like?

- p. Regional identity is a key factor in the political significance ascribed to regional government. Whilst a small amount of primary research has been undertaken into perceptions of regional identity, there is much discussion within the literature concerning the delineation of boundaries. Emphasis is placed on notions of efficiency and effectiveness, particularly in relation to subsidiarity principles. International evidence illustrates that it is not necessary to have a historic identity to create a modern political one and that consistency amongst regions is not required. There is scant evidence of the critical success factors which make the development of regional identity more likely, though there is caution that the delimiting of regions is not an innocuous operation (paragraphs 4.1–4.7).

Implementing regional government

THE PHASING OF INTRODUCTION

- q. Implementation of regional government need not be a uniform one across the whole country. International experience provides evidence of phasing, in which specific regions have been granted more or earlier powers, though in most cases structures have eventually become uniform across the whole country (paragraphs 5.1–5.2).

THE RESOURCE IMPLICATIONS

- r. The finance issue cannot be considered independently of the purpose that regional government is intended to serve. The nature of its functions will determine both the scale of resource required and the extent to which regions are able to exercise self-determination. The research evidence is limited, though a number of authors raise discussion of the potential forms. Advocates argue that for regional government to operate requires access to regional tax revenues rather than complete reliance on transfers. International evidence points to the variety of bases from which such taxes are drawn including personal tax, sales tax and service charges (paragraphs 5.3–5.5).
- s. The move to regional government will make more transparent and explicit the financial transfers from central government to regions and the extent to which this is sustainable has been raised (though not comprehensively addressed) in the literature. Certainly, evidence from overseas would indicate that explicit redistribution of funds is politically sensitive, though could be maintained by differential rates of tax (paragraphs 5.5–5.10).

INTERNATIONAL EVIDENCE

- t. In developing its themes and arguments, this report draws upon literature concerned with both domestic regional arrangements and international studies examining the structures within other (predominantly European) countries. Whilst international evidence has been discussed across the report, a separate summary of international approaches is also presented (see chapter 6).

Conclusions

- u. The research evidence on the form and function of regional government is sparse. Domestic commentary is mostly in the form of thinkpieces and advocacy articles, though work drawing from international evidence is more detailed and empirical. There would be merit in undertaking a comparative review, in order to assess the transferability of lessons from abroad, as well as to identify and appraise options, particularly in relation to executive functional and administrative capacities, legislative and constitutional issues and intergovernmental relations. It remains, however, that many of the issues are not amenable to any clear research statement.
- v. The broad conclusion from international experience of regional government is that an evolutionary and incremental approach to its development can be adopted, and that the establishment of some basic or core functions for the elected regional assemblies with structures which permit them to add further responsibilities is a potentially viable strategy (paragraphs 7.1–7.3).

CHAPTER 1

Introduction

- 1.1 There is a manifesto commitment to bring forward legislation to allow people, region by region, to decide in a referendum whether they want directly elected regional government, and – where there is clear popular consent – to establish such structures (Labour Party, 1997). Subsequently, there has been a renewed focus, within the media and beyond, upon the regional agenda. This heightened interest has led to the growth of a ‘new regionalism’ literature with much debate focused upon ‘the English question’: the implications of devolution for England and the desire (or otherwise) for an English tier of regional government. However, much of this literature treats the concept of regional government within an analytical vacuum, with limited exploration of what is meant by the term, what regional government might do, and the consequences of any move towards regional government. The focus of this review is, therefore, on the potential form, and remit, of regional government within England, and the implications of its development. Though pertinent to the wider debate, the review is not about existing structures of regional governance *per se*, nor about the specific remit and structure of the Regional Development Agencies.
- 1.2 There are political, administrative, economic and social implications of instituting a tier of regional government. A review of research can play a vital role in informing both the potential shape and implications of regional government, based on international experience and analysis of the English context. This paper reviews both domestic and international research and presents the main arguments and findings that emerge from that literature, and identifies those areas where research is scant or findings inconclusive.
- 1.3 Recent years have seen an outpouring of writing concerned with matters of regional government. This resurgence of interest is partly a reflection of the drive towards regional devolution across Europe (Keating, 1998), as well as the devolution debate within the UK, the machinery of which has been reviewed by the Constitution Unit (1996a; 1996b). Much of the existing British literature focuses upon the Scottish and Welsh cases and there is not, as yet, a significant body of research, empirical or otherwise, into the issues raised by the development of English regional government.
- 1.4 Regional government can take a wide spectrum of different forms to serve a variety of different purposes. However, the existing domestic reviews of regional government have not generally sought to explore the nature or implications of these different forms: as a result there is much assertion but little evidence. Whilst the rationale for regional government has been relatively well rehearsed, the reviews tend not to elaborate on the nature of regional government, and it is often difficult to distinguish general arguments for regional decentralisation from specific arguments for regional government.
- 1.5 The structure of the paper is as follows. Chapter 2 considers current regional arrangements within England and reviews the literature concerning the implications of these arrangements for regional government. It then considers what might be defined as regional government and the rationales for developing it. Chapter 3 examines the functions and administrative competencies of regional government, including the source of regional

functions, potential legislative arrangements, impacts upon intergovernmental relationships, and implications for Parliamentary and central government administrative structures. Chapter 4 considers delineation of regions and the basis for defining boundaries, whilst chapter 5 examines issues specifically concerned with the implementation of regional government in terms of timescale and financial arrangements. The final chapter summarises international approaches to regional government, and the paper concludes with the broad themes that are relevant to the English context.

CHAPTER 2

Development of, and rationale for, regional government

Current regional arrangements in England

- 2.1 Recent years have seen the development of a range of structures within England concerned with regional administration. A wealth of work has sought to identify the nature of these current arrangements, their purpose and scale (GFA, 1998; Hogwood, 1996a), and their implications for government in general (*inter alia* Stoker *et al.*, 1996; Danson, 1997; Lynch, 1999; Evans & Harding, 1997). This section provides an overview of that literature.
- 2.2 There is a density of regional decision-making. Mawson & Spencer (1997) argue that the stereotype of weak regionalism is not confirmed by the diversity of regions, structures and roles, into which the administration of England has been divided, and variously modified, particularly in recent years. These changes include: the development and accretion of functions to the Government Offices for the Regions; the regional organisation of government departments and unelected public bodies; the development of Training and Enterprise Councils; the existence of voluntary associations of local authorities and other public sector bodies designed to promote a regional approach to a specific area of policy delivery.
- 2.3 There is a diversity of regions and boundaries through which regional organisations operate. A comprehensive review of regional boundaries has revealed the wide variety of organisations: in form and scale, in administrative boundaries and in range of functions (Hogwood, 1996a). Virtually all policy areas employ regional structures of some form: Hogwood's evidence indicates government and other public bodies variously operate through nearly 100 different regional structures.
- 2.4 This rise of 'regional governance', captured within the development of regional administrative arrangements, has been an emergent theme within the academic and policy literature. A number of (predominantly academic) reviews have sought to conceptualise these changes, both at local and regional level. In particular, they have concentrated upon mapping the form of these institutional arrangements and how they diverge from traditional notions of government in terms of both democratic processes and administrative competence (for example, Rhodes, 1996). There remains no readily accepted and clear definition of governance, though it is frequently used as shorthand to define a blurring of boundaries and responsibilities both within and beyond government, where collective action takes place across networks of power and in which the capacity for action requires the need for flexibility (Stoker, 1996).

- 2.5 Existing research suggests that current regional arrangements do not constitute a coherent regional tier. Hogwood's (1996a) analysis concludes that regions merely represent an administrative convenience in which each department, quango or agency chooses the pattern of decentralisation it deems most appropriate. Stoker *et al.* (1996) and John & Whitehead (1997) argue that regional structures within England are not concerned with the management of territory but with the delivery of functions, and the concept of a region is therefore an imprecise one. Since the creation of the ten Government Offices for the Regions (GOs) in 1994, and their reduction to nine in 1998, the GO regions have become well established. The 'Modernising Government' White Paper commits the Government to working to align geographical boundaries – using GO boundaries at the regional level. The recent PIU report, *Reaching Out*, also proposed that central government activity in the regions should be better co-ordinated within GO boundaries. It would seem that existing regional governance structures, either in form or purpose, when taken together, do not offer clear antecedents for a proposed regional tier of government. They may nevertheless highlight choices which have to be made, and the implications for existing delivery structures of pursuing a particular course of action.

What do we mean by regional government?

- 2.6 The form of regional government is not a given, nor is it fixed. It is a process rather than an event and the approaches and practice across countries, and regions within them, differs considerably. Much of the debate, both written and spoken, tends not to venture beyond the rhetoric of regional devolution (for example, Constitution Unit debate, 1999), though more recent work has started to develop notions of the potential form of regional government and the implications for political and administrative functions of different approaches (Hazell, 1999; Constitution Unit, 1996a).
- 2.7 Internationally, regional government takes a variety of forms. They can be broadly plotted along a spectrum according to their degree and level of regional organisation, from unitary states (with, at most, central administrative functions undertaken at the regional level), to federal states, where regions have budgetary and legislative powers and directly elected parliaments (see Table 1 in chapter 6 below). Within these two extremes, lie the myriad of regional arrangements which exist within essentially unitary countries. The Council of Europe (1998) present a broad dichotomy: regional decentralisation in which functions have been devolved down to essentially a new tier of local government; and political regionalisation in which regions are self-governing autonomous communities. However, in practice, this distinction is not entirely clear. Though it may be useful in delineating the broad spectrum of international experience, it does not point to specific models, and there has been little associated research into the wider definitional issues.
- 2.8 Discussion of the form of regional government also has to consider the various dimensions which together constitute the whole. There are no clear divisions between regional administration and regional government, despite the theoretical analyses which have sought to distinguish it. Stoker *et al.* (1996), deriving their definition from Sharpe (1970), suggest that regional government can be distinguished from regional administration by the presence of the following: a multi-functional operational capacity in a restricted geographical area within a state; supervision by representatives elected or chosen on a local basis; and, the enjoyment of a measure of autonomy over finances and more broadly policy-making and implementation.

- 2.9 There is, therefore, no norm to which the UK is an exception, and no agreement on what regional tiers should look like or how they should operate. There is no common pattern in their size, the functions they command, the source of their origins, their rights of representation at the centre and their control over local government. Rather there is a continuum.
- 2.10 The implication of this in the English context is that current practice cannot provide a 'blueprint', but that equally it provides significant freedom for manoeuvre in designing the shape of a regional government structure. The choice concerning the activities and mechanisms of regional government are both political and administrative, and require consideration of both the 'why?' and 'for what?' question as well as the more operational 'how?'

Why might we want regional government in England?

- 2.11 The arguments surrounding the merits (or otherwise) of developing a regional tier of government are well rehearsed in the literature, though most are raised through advocacy papers and thinkpieces from particular organisational and ideological perspectives (for example, Constitution Unit, 1996a; Local Government Information Unit, 1997; Fabian Society, 1990). Few report on the basis of sustained or empirical assessment, though exceptions do exist (notably Harding *et al.*, 1996). In many respects, the existing debate has not produced a comprehensive critique. Instead, it remains polarised between those who favour and those who oppose change to a regional tier of government.
- 2.12 There are four main foci of argument within the literature, namely: democratic arguments, economic development pressures, European imperatives and technocratic requirements. Each reflect different perspectives of the debate, and implicitly reflect different notions of the form of regional government. Manifesto statements on the objectives of regional government reflect the democratic arguments for accountability and decentralisation of power, as well as the technocratic emphasis upon improved co-ordination and efficiency, and the economic development arguments (reviewed more extensively in Murphy & Caborn, 1995). In many respects, these arguments can be viewed as mutually reinforcing. The lack of any formal consensus within the literature reflects not only the inadequacy of any one set of arguments to provide a definite basis upon which to build, argue Stoker *et al.*, (1996), but also the very ambiguity of the term regional government, in which the exact form of institution that is being advocated or opposed remains unclear (Stoker *et al.*, 1996). Like is not necessarily being compared with like.
- 2.13 The sections below review the main thrusts of the various arguments deployed in the literature. In developing a case for (or against) regional government, it is necessary to draw upon the collective weight of evidence presented within the literature, since it is the case that the arguments are mutually reinforcing. It remains, however, that the overall argument for regional government needs to be further developed and evaluated before it can be a convincing basis for institutional change.

(i) DEMOCRATIC ARGUMENTS

- 2.14 Democratic arguments are premised on the basis that regional government necessitates a political imperative in order to gather momentum and become fully established. The democratic case for regional government rests primarily upon two main propositions. First, the role of the regions in revitalising democracy: by drawing powers down from the centre

and adding accountability to existing unelected tiers of organisation (the ‘democratic deficit’). Second, their role in affording a more directly representative forum for the democratic expression of potentially diverse regional differences of tradition, identity and need. Each of these arguments is briefly reviewed in turn.

Democratising regional administration

- 2.15 Advocates of regional government often focus upon the centralised nature of government within England and the existence of extensive systems of regional administration which demand a degree of accountability (Coulson, 1990). Regional government, it is argued, would deliver accountability, democracy and greater efficiency to an *ad hoc*, unco-ordinated and unelected regional tier (Straw, 1995; Davis & Stewart, 1993). It would provide a mechanism for developing a coherent response to the subsidiarity principle and can hence provide a basis upon which to reverse the democratic deficit (Morgan & Roberts, 1993).
- 2.16 Critics of this argument focus primarily upon the relevance and practicality of regional government within existing structures. Hogwood’s (1996a) analysis of existing regional organisations concludes that the logic of needing a regional assembly or chamber on the basis of such unaccountable ‘regional’ organisations is strained. Many of these organisations operate at a sub-regional basis whilst others are national rather than regional bodies. In any case, he argues, the existing confusion of boundaries and agencies do not easily lend themselves to an autonomous regional tier of government.
- 2.17 Critics also question the broader contribution of regional government to the revitalisation of democracy. Though little empirical evidence exists, it has been widely viewed as a threat to democracy given the potential for the upward transfer of functions from local government to the regional level (Tindale, 1996; The Commission for Local Democracy, 1995). Indeed, Gerstenlauer’s (1995) review of the German *Länder*, argues that federalism has exacerbated the regional democratic deficit, by enhancing the influence of *Länder* governments (as distinct from *Länder* parliaments) in national and European decision-making and their general opposition to strengthening the role of municipalities. From this perspective, regional government is “centralism, ... genuine decentralisation should be to local government, not to regional government” (Jones, 1988:5), and advocacy papers argue for an enhanced role for local government instead.

The democratic reflection of regional difference

- 2.18 Identity is an important dimension to regionalism (Jones, 1988; Constitution Unit, 1996b), and early clamours for regional devolution stem from perceptions of difference. Indeed, the evolution of regional identity within English regions has been a feature of recent writing, not least in the regional and national media (for example, Mitchell, 2000; Price, 2000; Tomaney, 1999). Much of this literature stresses the democratic need for self-government within (generally northern) regions, though these notions of regional identity, it is argued, reflect an amalgam of ‘reinvented’ regional history and strong claims of economic injustice (Tomaney & Ward, 2000). Supporters of regional government argue that these differences in regional identity demand a means of expression, and if regions express an interest in an element of self-government then a *prima facie* case for a devolved power structure exists (Stoker *et al.*, 1996). The presence of a plethora of voluntary administrative organisations at the regional level – for example, the local authority based North West Regional Association – also bears testimony to the extent of shared experiences, and the importance of common purpose and culture within those areas (Burch & Holliday, 1993).
- 2.19 Counter-arguments question whether regional identity and political consciousness might be said to exist in England. Commentators tend to suggest that there are no strong regional identities to provide demand and support for regional government; regional

loyalty is perceived as weak and citizens tend not to identify with the 'meso-level' between national and local (Young *et al.*, 1996). Reasons why this is so are based not only on the centralising tendency within recent years, but also on the historical context within England. Reviewers suggest it has neither the political reaction against centralism of the Spanish or Italian states (Wright, 1984) nor the central-local linkages and integrated state structures of France or Belgium which facilitate the establishment of regional government structures (Butt Philip, 1994).

- 2.20 Survey evidence remains inconclusive. Studies for the Department of Environment (1992a; 1992b) examining community boundaries within England suggest there are few clear and easily recognised boundaries between communities and that the sense of community appears to be intuitive rather than rationally and practically tied. Regional variations in voting patterns are ascribed to differing economic performance rather than a political geography of regionalism (Johnston *et al.*, 1988). The ESRC Local Governance survey provides one of the strongest pro-region responses which indicated the differential degree to which support was evident, between the South East and East Anglia (weak) and the North East and North West (strong) (cited in Stoker *et al.*, 1996). This does not preclude, of course, the possibility that regional government itself may be an important facilitator of regional identity and that support may emerge once a regional tier of government is in place.
- 2.21 Regional differences within England are also reflected in levels of wealth and resources. National government concerns have often focused upon inter-regional redistribution of resources. Devolution of powers in relation to taxes, spending and services could be damaging to national concerns regarding regional equity. Evidence from the German *Länder* (Minns & Tomaney, 1995), indicates that, even in a country with a more even distribution of economic power, the scope for autonomy lies in giving a 'voice' to the *Länder* in federal policy-making, and that mechanisms need to be established at the national level to ensure that regional inequalities are not neglected in the clamour for political devolution. This ensures that regional concerns are heard and incorporated into national policy.
- 2.22 Critics argue that regions will not automatically increase (perceptions of) democracy. As Tomaney & Ward (2000) argue, it is by no means certain that a shared regional identity should have political consequences, nor that regional identities should replace national ones as the principal mode of political mobilisation. Indeed, a number of studies point to evidence that regional government has not necessarily led to the democratic changes envisaged for it. Taking election turnouts as a benchmark, analysis of France indicates steadily increasing levels of abstention; by March 1998 it had grown to 42% of the electorate, compared with 22% in the first elections in 1986 (Scargill, 1998). By turn, Italian experience (cited in Taylor, 1995) is that regional government has, at times, threatened the break-up of the Italian political system, though this may also reflect wider political issues within Italy.

(ii) ECONOMIC IMPERATIVE ARGUMENTS

- 2.23 A key argument within more recent writing is that regional government is an essential engine of economic performance. A large body of literature has emerged in recent years exploring the enhanced economic importance of regional units (for example, Porter, 1990; Krugman, 1991; Keating, 1998). Centralisation of economic decision-making, it is argued, harms the ability of regions to maximise their competitiveness in the wider economy (Trade & Industry Select Committee, 1995; Murphy & Caborn, 1995). A number of commentators assume, therefore, that regional government provides the scope to produce coherent strategies for economic growth, co-ordinate development needs, and voice regional economic concerns (Coulson, 1990; cf. Hutton, 1995; Martin & Pearce, 1993; Wiehler & Stumm, 1995).

- 2.24 Empirical evidence suggests that institutional capacity – the extent and form of regional organisations – plays an important role within the economic development trajectory of regions. There are strong contrasts in economic performance across Europe with and without regional government. The most centralist regions in the EU are amongst the economically weakest, argue Wiehler & Stumm (1995), whilst analysis by Harding *et al.*, (1996) indicates that the greater institutional capacity within Scotland or Wales, relative to regions within England, enabled them to better adjust to economic changes than the North West and North East regions. Similarly, analysis indicates that both Wales and Germany present examples of the role that regional organisations can play in creating a decentralised innovative capacity (Morgan, 1986; Minns & Tomaney, 1995).
- 2.25 Critics argue that, whilst the economic arguments for regional strategic governance may be clear, the case for regional government is not clear. The conclusion from the analysis by Harding *et al.*, (1996) is that the link between regional government and increased economic innovation and growth remains unproved and underexplored. Similarly, Jones (1988) and Evans & Harding (1997) argue that most, if not all, of a regional economic agenda could be implemented by other means, whilst Tindale (1996) argues that non-elected development agencies would represent less of a threat to local authorities and be able to work more closely with business. From this viewpoint, therefore, there is no clear evidence regarding what regional government could add to the economic development agenda.
- 2.26 Even advocates of regional government acknowledge that it is not a panacea to economic decline. Whilst locally accountable regional agencies may be a necessary element of tackling regional problems and creating economic advantage, they are not sufficient. A body of literature emphasises the importance of civil society over constitutional structures in regional economic development (for example, Cooke *et al.*, 1998), whilst Minns & Tomaney (1995) stress the need for regional structures of governance to be supported by, and have a significant input to, the actions of central government. Their review of regional economic development within the German *Länder* draws caution upon the potential for effective action at the sub-national level, in the light of powerful international pressures. This reinforces the views of critics that intervention is best undertaken through a combination of national policy and local action (Jones, 1988).
- 2.27 Political devolution, moreover, may lead to the possibility of counter-productive inter-regional competition. Regions are increasingly competing against each other to attract capital and firms (Cheshire & Gordon, 1998; Lever, 1998; Turok, 1999) or develop policies to promote local economic infrastructure, skills and entrepreneurial capacity (Scott, 1996; Storper, 1997). Further, it is generally accepted that regions with devolved institutions are more able to adopt competitive policies (and perhaps perceive greater legitimacy for so doing) (Keating, 1998). Indeed, the experience in Spain illustrates that those regions which have been granted more extensive powers have implemented more advanced and aggressive development strategies (Rodríguez-Pose, 1996). The use of *vacaciones fiscales* (fiscal holidays) has attracted industry to individual regions, but not without negative economic consequences and resentment in neighbouring regions.
- 2.28 Jones (1988) argues the ensuing competition that results from devolution would lead to well-endowed regions ‘winning’. Notions of Scotland and Wales having additional advantage alongside their favourable funding and separate economic development institutions abound (for example, Hogwood, 1996b), with the notion that “[P]eople in Sunderland or Solihull have been mere spectators at the devolution celebrations. The English have had little to celebrate” (Tomaney & Mitchell, 1999). Indeed, the perception is that, in the wake of devolution for Scotland and Wales, support for English devolution is

often premised on a 'comparative grievance' basis (Moreno, 1995), or a 'me-too' basis (Lynch, 1999). Indeed, a review by Tindale (1996) argues that the Northern League in Italy supports greater regional autonomy precisely in order to preserve its wealth, at the expense of southern areas. The question that has to be faced, therefore, is whether enhanced levels of inter-regional competition, and any associated impact on regional imbalances, are an acceptable outcome of political devolution.

- 2.29 Advocates of regional government argue that the economic development role is not an exclusive one, and to tackle regional issues requires a capacity to exercise leverage over a wider agenda which an elected regional authority could provide (Stoker *et al.*, 1996). Regional economic development policy requires agencies to look beyond a narrow focus and consider more broadly those factors which affect regional development and those agencies who might be able to play a role in encouraging that development. This is the 'brokerage function' referred to in a recent DETR research report on cross-cutting issues (Stewart *et al.*, 1999) in which the complexity of issues which cross governmental boundaries and professional disciplines increasingly require organisations to handle the relationships between the centre and locality.

(iii) THE EUROPEAN IMPERATIVE

- 2.30 The case for regional government often rests on the premise that it is a requirement of developments within the EU, under the principle of subsidiarity, and the European focus on strengthening the role of the regions. Advocates argue, therefore, that to ensure proper access to funding and decision-making processes requires a regional administration with a democratic mandate (Martin & Pearce, 1993, Taylor, 1995). Certainly the EU has sustained interest in the regions, as demonstrated through: concern for regional disparities and the development of the EU regional assistance structural funds programme; creation of the Committee of the Regions to encourage local and regional input into decision-making; and the development of trans-regional networks as a focus for sectoral concerns (e.g. MILAN, PESCA).
- 2.31 Opponents of the European imperative draw their arguments chiefly on notions that the role of the nation state as 'gatekeepers' remains pre-eminent and that decision-making powers throughout the EU are retained by central governments (Anderson, 1990; Bache, 1998; 1999), whilst the CoR remains an advisory (and therefore marginal) body (Jeffrey, 1995). There is some evidence to support this argument: analysis of the role of the French regions in attracting EU Structural Funds indicated that they were not included in the process and that the regional *Préfet* (central government administrators in the regions) undertake the task (Le Galès & John, 1997). Evidence from an analysis of Structural Funds distribution does not indicate that the UK receives proportionally less compared with those countries with a regional tier of government (McCafferty, 1997). Further, an international review of sub-national responses to European integration found that, in the majority of regions, the EU exerts only partial influence on regional decision-making (Goldsmith and Klausen, 1997). Whilst an active involvement in EU decision-making is displayed by a number of European regions (for example, Nord-Pas de Calais and North Rhine-Westphalia), it is not solely confined to regional levels of government. City administrations such as those in Milan, Manchester or Barcelona also play an active role, as do individual local authorities, such as those in border regions of Germany, and those surrounding the metropolitan area of Copenhagen (cited in John, 2000).

- 2.32 European pressures are not sufficiently strong, critics argue, to justify reconfiguration of domestic systems of government. European funding levels are small relative to monies spent by the British government. British sub-national organisations, including networks of local authorities or umbrella organisations, are also well represented in Europe, with one-quarter of all such agencies in Brussels representing areas of Britain (McCafferty, 1997). Indeed, the extent to which such organisations represent an adequate substitute for formal regional government has been a theme within the debates (cf. Martin & Pearce, 1993; Stoker *et al.*, 1996). Concern focuses, however, upon their heterogeneity of interests and the degree to which they represent sectional rather than region-wide concerns.

(iv) THE TECHNOCRATIC (FUNCTIONAL) ARGUMENTS

- 2.33 The basis of the technocratic argument is that an intermediate tier of regional government is necessary for 'good' government, both in terms of efficiency and effectiveness. Arguments have been premised on a recognition of the complexity of the problems facing government and the consequent need for strategic solutions (Leach, 1994). Proponents suggest that their arguments have been further strengthened by local government reorganisation through which a strategic gap has been created (Coulson, 1990).
- 2.34 The strategic planning arguments rest on assertions that there are clear benefits to be obtained from larger-scale authorities undertaking a co-ordinating and planning role at an intermediate level. The current multiplicity of regional administrative arrangements, alongside the emergence of cross-cutting issues – with which local authorities may currently lack all required competencies to deal – has led to arguments for the development of regional government in order to respond appropriately to these pressures (Norton, 1994; Council of Europe, 1998). Norton (1994) sets out criteria for identifying the functions and boundaries of regional government and stresses the need for stability and flexibility as well as the need for authorities to have the required powers and responsibilities to reflect voter preferences and needs. He suggests considerations need to relate to notions of economic efficiency and democratic effectiveness. The former include: low travel and other communication costs; economic interdependence; collaboration and co-ordination in service planning and delivery; and matching boundaries with other public, private and voluntary bodies to facilitate co-operation. Democratic criteria include: voter preference; minority representation; and political accessibility. International evidence emphasises the role of regional government in strategic functions such as economic development, planning, transport and education as well as cultural activities, given their significant policy spillover effects.
- 2.35 Counter-arguments stress the lack of any clear role for regional government within current local government arrangements. Jones (1988) argues that a regional tier is not required because, relative to other European countries, England has a large-scale local government system, and the value-added of a regional tier is unclear. He believes regional government will be inaccessible and remote and therefore ownership will be limited. Moreover, because of the remoteness of regional government, there will be separation of strategy from implementation. European evidence does not indicate a clear relationship between the size of a regional authority and its capacity for effective and efficient management; there is not a simple way of identifying the right size or tier to exercise government competencies (Jones & Travers, 1994). Furthermore, it remains possible that an additional tier of government could foster conditions for bureaucratic immobilism, with political posturing and 'buck-passing' becoming evident.

CHAPTER 3

What would regional government do?

- 3.1 Without a clear understanding of the potential functions envisaged for regional government, the debate concerning the merits (or otherwise) of its introduction can, at times, become sterile. As noted in para. 1.4, very little attention has been paid to the specific policy areas in which regional governments might operate; the administrative mechanisms by which they would exercise that responsibility; and, the degree to which they could operate with discretion in those functions. These all have fundamental implications for the form of regional government and its relationship to existing governmental structures.
- 3.2 Discussion of the actual responsibilities of potential regional tiers of government are the least well explored area of research, precisely because of the difficulties that lie in their assessment. The debate appears not to have moved on to key issues surrounding implementation. At best, commentators have sought to raise questions concerning likely remit and responsibilities (Stewart, 1995; Blow *et al.*, 1996a; Stoker *et al.*, 1996), although any detailed assessment of their implications have yet to emerge. In this respect, the edited work by Hazell (1999) represents the most comprehensive overview. The international literature also provides an opportunity for comparison, though to date there has been little rigorous assessment of the extent to which lessons are transferable (notable attempts include Stoker *et al.*, 1996; Hughes *et al.*, 1998).

The functional competencies and administrative capacities of regional government

- 3.3 The research does not provide a clear statement of the potential configuration of functions at the regional level, relying instead on descriptive summaries. From an international perspective, the functional competencies of regional government differ significantly. A number of authors provide a summary of these differences, and chapter 6 provides more detail of this literature. Table 2 provides a brief résumé, predominantly from a European perspective. Both Germany and Belgium, with their functions entrenched in federal constitutions, have broad remits. In Spain, the range of function and legislative powers are quite large and have been subject to expansion in recent years, although they have not been afforded complete sovereignty within the constitution. Italian regions have reasonably extensive functional competencies, but political and administrative factors have prevented them from emerging as complete multifunctional governments. French regions do not have legislative powers, and are predominantly concerned with planning and programming of public investments and management of infrastructures.

- 3.4 In delineating what functions might constitute 'regional matters' from local (or central) concerns, a number of authors identify potential divisions of labour. Keating (1996), in his review of European regional structures, suggests the adoption of the German approach which distinguishes between local interest services (for example, waste collection; development control), from those with a wider public interest (e.g. education; strategic planning). Similarly, the review by Blow *et al.*, (1996b) argues that regional government could separate out 'choice' and 'agency' functions. Local governments could be left with a portfolio of responsibilities in which local choice was important, and regions would function as central government's 'agents' in implementing nationally determined policies. This might point towards, they argue, transferring social services and education up to the regions, and health responsibilities down to the regions.
- 3.5 Regional government can also perform a number of distinct administrative capacities. In their review of regional structures, the LGIU (1997) argue that there are essentially three broad capacities: direct service provision; strategic and service-making powers; and powers in relation to existing institutions, such as scrutiny powers, consultation and co-ordination powers.
- 3.6 There is not a single solution to the issue of devolving administrative capacities to regional government, as argued within a JRF (1994) publication which reviewed local government structures. International evidence, such as summarised in Keating (1996), points to a diversity of practice. German *Länder* are responsible for most public administration allowing them to shape the implementation of laws and integrate policy. In more centralised countries, regional governments are more constrained by the existence of parallel central administrative structures. Thus, in France, the secretariat for regional affairs determines precisely those matters which are the competence of the regions. In Spain, the asymmetrical pattern of devolution has meant that central ministries have retained their full responsibility for those administrative capacities not fully devolved across the country.
- 3.7 There is a trade off between regional autonomy to set priorities and central intervention to guarantee common standards and equal resources, argues Keating (1996). This is increasingly true of both the regional and local level within Britain. International evidence provides examples of how the two might be balanced. Regional government could, for example, set minimum standards for performance. It could also rely upon emulation rather than regulation as a mechanism for improvement (much as exists within North America where there are strong mayoral systems).

Devolving functions down or transferring responsibilities upwards?

- 3.8 In terms of the specific policy areas in which regional government operates, there is much debate within the literature on the extent to which functions have been devolved down from central government and not transferred up from local government (Robertson, 1997; Norton, 1994). The basis of this argument stems from a perception that regional government needs to ensure it represents a valued tier of government (Robertson, 1997).
- 3.9 International evidence reinforces notions of regional government as a devolution process (see also paragraphs 3.23–3.26 and 6.8–6.9 below). In Japan, 80% of functions acquired by the prefectures were by delegation from central government (Norton, 1994). Similarly, regions

in New Zealand are perceived as an upper tier of local government and are correspondingly allocated functions by central government. Regional government within both Sweden and Denmark, despite powers of general competence, perform few functions not specifically allocated to them by central government. Their distinction from local government is maintained through constitutional protection of local authority powers. Within the countries he reviews, Norton (1994) reports that local authority constitutional rights cannot be overridden, and that they can defend their autonomy through judicial procedures.

Asymmetrical regional powers

- 3.10 Not all regions need necessarily to have the same powers at the same time. Indeed, the current devolution programme within the UK can be seen as an example of asymmetrical devolution involving very different political institutions in each of the four territories. International reviews illustrate a number of countries who have devolved different powers to different regions (Stoker *et al.*, 1996, Hazell & O'Leary, 1999), and experience from Northern Ireland indicates it need not pose a threat to constitutional integrity (Carmichael, 1996). In Italy, the five *special status* regions have more functional competencies, greater financial powers and a higher degree of autonomy than other regions. The development of '*Autonomous Communities*' in Spain is regarded as a prototype of an asymmetric regionalisation process. Broadly distinguishing between nations and regions, the historic nations (Catalonia, the Basque Country and Galicia) were accorded wide economic and political status. Four further regions (Andalusia, Canary Islands, Navarre and Valencia) were entitled to a wide series of administrative and functional competencies, though they have assumed those functions at different rates. This arrangement is rendered more complex by the special fiscal arrangements ('*concierto económico*') afforded to the Basque Country and Navarre which permits them to raise their own taxes and negotiate their contribution to the Spanish state. The remaining ten regions have a more modest devolution of powers and functions. This variation in the powers devolved to different regions is a product of each region drafting and negotiating its own constitution for self-government with the centre. In Portugal, complete devolution was bestowed on the autonomous regions of the Azores and Madeira, whilst the self-governing regions of the mainland have less political autonomy. Conversely, in France, the structure of subnational government is uniform across the whole country.
- 3.11 Indeed, the Council of Europe (1998) argue that time-lags may meet some regions' needs to avoid taking on responsibilities they are not yet ready to bear. They suggest it may be appropriate to proceed initially with administrative regionalisation, that is effectively devolving specific functions down to an additional level of local government, whilst political regionalisation – the development of autonomous self-governing regions – may come at a subsequent stage. It is possible to provide adjustments to the powers initially determined at the outset, as part of a dynamic process.
- 3.12 Whilst an asymmetric distribution of powers is possible, it is not without difficulties. Asymmetrical powers makes possible the emergence of differential and competitive regulatory regimes and, commentators argue, it is desirable for a set of exclusive powers to be allocated to the regions (Council of Europe, 1998). The clear definition of powers helps prevent malfunction and conflict, and helps facilitate inter-regional and intra-regional co-operation. The Spanish example, reviewed in Stoker *et al.* (1996), illustrates the need for ministries to retain central functions for some regions since not all regions share the same competencies. This raises issues of efficiency, which are further compounded by the need for bilateral negotiations between the regions and the centre in the absence of any other

effective process (Morata, 1995). It is the norm, however, in federal countries for the central government to have intermediate structures of its own alongside regional arrangements (Stoker *et al.*, 1996).

- 3.13 Other commentators argue that there are costs associated with incrementalism. The analysis by Le Galès and John (1997) of the French experience with regionalisation suggests that political support can be lost in formative years. They argue there is a clear advantage in ensuring that core functions for creating new regional institutions are in place at the same time. These include not only the correct level of financial resources and the necessary powers over public functions, but the proper specification of the interrelationship between levels of government, both for the different levels of sub-national elected authorities and within the deconcentrated structures of the central state.

Legislative arrangements

- 3.14 The need for legislative powers within regional government is a key issue within much of the literature (Tindale, 1995). In the short term, it is possible that regional assemblies might be indirectly elected through local authorities, though the invisibility of such arrangements is such that it makes it appropriate that they only act as consultative bodies since their legitimacy may be subject to scrutiny. Reviews of European experience suggests that regional assemblies will inevitably create pressure for some form of legislative powers, and this is evidenced in Germany, Spain and Italy where their regional assemblies (or equivalent) have at least limited legislative powers (Stoker *et al.*, 1996).
- 3.15 Legislative arrangements for regional government will clearly influence the scope of their work. A number of authors have examined their potential form though there has not been any extensive research into the impacts of different approaches (Stewart, 1995; Hazell, 1999). Acts of Parliament could provide for subordinate legislation on appropriate topics, or the development of framework legislation in which the creation of differing policies by regions becomes permissible. Fundamental questions are raised by the legislative issue, particularly the extent to which diversity in policy amongst regions is deemed acceptable, and the implications of the arrangements for Parliament.
- 3.16 Reviews of different regional government structures have raised questions rather than provided analysis, but are in agreement that the structure of government in the regions will symbolise the nature of it (Stewart, 1995; Hazell, 1999; Stoker *et al.*, 1996). The structure of regional government could take a number of forms. It could be based on the local government committee structure, the Cabinet system or a new approach, such as a directly elected Mayor or president. The alternatives have implications for the regional electoral process, and the nature of representatives, though research does not exist into the shape of those implications. International experience points to the variety of practice. Within France the system of '*cumul des mandats*' permits politicians to combine both local and regional office which raises issues of territorial power. Scargill (1998) in his review suggests that this weakens the French regions as members promote local issues at the expense of regional ones.
- 3.17 In reviewing intergovernmental relations in nine advanced democracies, Norton (1994) reflects upon the legislative and constitutional basis of some of the relationships between regional and local government. Local government has a guaranteed legal status and prerogatives that vary from country to country. Member states or regions work within national framework laws and design detailed laws within the framework, devising their

own legal instruments to suit the local conditions, needs and wishes of their areas and political preferences of parties. Procedures and systems for framework legislation assure joint working between levels and a high degree of consultation. In contrast, the Council of Europe (1998) report on regionalisation comments that “regional powers, based on a high level of legislative power and finances, tend to make local authorities somewhat dependent on the region, both functionally and financially” (p.41). The Council of Europe argue that, on occasions, a regional authority can exercise more detailed supervision than the state supervisor. Regional legislators run the risk of being tempted to legislate in more detail thereby reducing local autonomy.

Relationships between regional government and local government

- 3.18 Research into the implications of any future regional government upon existing government structures and organisations is limited, and is necessarily confined to commentary and conjecture. Most prevalent are the number of advocacy and review papers which have considered the implications for local government of an additional tier of sub-national government (notably Jones, 1988; LGIU, 1997; Stewart, 1995). Relations with central government, existing regional bodies, central officials and administration and the EU have not been the subject of any concerted research effort.
- 3.19 Relations between regional and local government may not necessarily be harmonious. Jones (1988) argues that regional government would ‘intrude’ into local authority matters, and will provide an extra obstacle to the relationship between the centre and the local. If they take over functions which involve monitoring and supervising local authorities that may also bring them into conflict. However, evidence from Portugal has seen that initial antipathy by local authorities towards regions as a potential threat to their power base, has been transformed to a pro-regions stance, as local authorities increasingly recognise the support and strengthening to their roles that regions can provide (Pereira, 1995).
- 3.20 Intergovernmental relations may become more complex, with the addition of central-regional and regional-local relations into the existing network of relations, argues Stewart (1995). In contrast to Portugal, experience from Spain is that regional government is likely to be assertive in their relations with local authorities (Cornes, 1999). Similarly, experience from Northern Ireland of relations between regional government and local government are far from smooth (Carmichael, 1996). This is particularly true amongst those large urban authorities who dominate a region by virtue of their size and who may particularly resent interference by regional authorities.
- 3.21 The Council of Europe (1998) suggest that it may be prudent for local authorities to have a judicial remedy to protect themselves from interference though they also stress the merit in retaining a degree of flexibility about the most appropriate tier to perform different function across regions. Indeed, the existence of strong *Länd* governments in Germany is accompanied by considerable local authority policy-making autonomy (*kommunale Selbstverwaltung*) (Herschel & Newman, 2000) and an expectation of ‘bottom-up’ policy bargaining by *Länder* with local government as part of the *Gegenstromprinzip* (the principle of counterflow of policy-making pressures).

- 3.22 In terms of the impact of regionalisation on intermediate sub-regional authorities (county councils in the case of England), the Council of Europe report (1998) is fairly unequivocal in its viewpoint. It concludes that they should only remain in situations where they can perform certain functions better than regions and, if not, they stand in the way of regionalisation and should be removed. If they do remain, they only add to the need for a clear definition of functions and potentially run the risk of creating constant disputes. Paradoxically, Poland presents an example in which creation of a tier of regional self-government (*voivodships*) has been accompanied by a return to a traditional two-tier system of self-governing municipality and *powiaty* (district) authorities (Regulski, 1999). The latter have responsibility for management and provision of services which cover territory of more than one municipality, including secondary schools, hospitals, district roads, water management and public order.

Relations between regional government and sub-regional organisations

- 3.23 As illustrated above, relations between regional government and existing (sub) regional organisations are less clear, and the literature tends to create more confusion about the implications for current administrative arrangements than it provides substantial answers. The development of regional government raises issues not only about the powers of intermediate subregional organisations but also, more fundamentally, about their very existence. The literature seems to implicitly assume that regional government constitutes an improvement to the current disaggregation of activities (for example, Norton, 1994). In contrast, Jones (1988) argues that, even if regional government is given co-ordination and allocation functions, there will be a requirement for the centre to monitor and promote national objectives, and there would be duplication, second-guessing and conflict. The question, therefore, is whether the value-added of regional government takes the form of partnership synergy *writ large*, or whether there are more fundamental issues which regional government can bring to bear.

The implications of regional government for central government structures

- 3.24 Regional government in England will involve distinct change to the function and operation of central government, Parliament and Whitehall but the dimensions of that change remain unknown. Paragraph 6.8 presents international evidence that shows a normal practice for regional government is to involve a devolution of powers down from the central level. However, there has been no critical assessment of the implications, and very little discussion within the literature. Writers from a variety of ideological perspectives identify those areas where ramifications are likely, though tend not to elaborate on them. Hazell's (1999) report marks an important starting point from which such work may develop concerning the operational form and ramifications of regional government in England. The following paragraphs draw, in part, upon his ideas.
- 3.25 Stewart (1995) argues that if the purpose of regional government is decentralisation then there will necessarily be a need for movement of policymaking from Whitehall and some movement of political control. There is potential for different regions to have different civil service arrangements, though the impact of different structures and functions remains unclear, argues Pyper (1999).

- 3.26 Whilst devolution to the regions may reduce some of the concentration of activity within Whitehall, by turns it is likely that it may also exacerbate co-ordination problems. The current, predominantly departmental, problems of co-ordination will be replaced by difficulties of co-ordination between different devolved bodies, exacerbated by the potential for differential rates of devolution to regions. It is likely that there will be significant resource implications associated with devolution, though the international research does not provide evidence of its extent. For government, inter-regional and inter-governmental co-ordination are likely to entail increased costs, whilst for the private sector, the costs of responding to differential legislative systems may be extensive.
- 3.27 The role of the existing territorial secretaries of state is likely to come under scrutiny. International evidence could provide useful evidence of the approaches taken elsewhere, though there is little research which seeks to transfer those experiences to Britain. Reviews of Canadian regional arrangements might suggest the development of a single Ministerial post with responsibility for the regions as a whole, similar to the role of the Canadian Minister of Intergovernmental Affairs, who is located within the Privy Council Office (equivalent to the Cabinet Office) (Hazell & Morris, 1999; Gagnon, 1991).
- 3.28 Any further proposed reform of the House of Lords may also have ramifications for the regional devolution debate, though debate has not developed into analysis. The function most often proposed for a fully reformed second chamber would be to represent the nations and regions of the UK (see Hazell, 1999). In federal systems, the function of the upper house is typically to represent the states and, therefore, helps ensure the regions have a strong stake in the institutions at the centre. Further, in other countries, the function of a first or upper house is regional representation. In the Netherlands, the provinces elect members to the first house. The method of representation could take three forms: direct election (as in the USA and Australia) in which directly elected senators represent the people of different states; indirect election (as in the German *Bundesrat*) in which state governments are represented; and appointment (as with the Canadian senate). Were regional representation to be pursued, it might then be necessary to appoint members for at least some of the English regions given any differential programme of devolved assemblies.

CHAPTER 4

What would regions look like?

- 4.1 The sense of regional identity is a key factor in the political significance ascribed to regional government. The relatively small amount of research describing the extent to which regional identity might be said to exist within England is reviewed within paragraphs 2.17–2.19 above. Apart from that specific issue, a significant part of the literature addresses the mechanics of defining regions. This section is concerned with that literature, and examines: how prospective boundaries might be determined, the need for regional consistency, and how support might be measured and engendered for those boundaries.
- 4.2 The introduction of a regional government tier would require either the creation of new boundaries or the inheritance of existing boundaries. There is a clear debate within the literature about the most appropriate form of boundaries, though it recognises that the choice will be affected by the nature of functions considered appropriate for a regional tier (Stewart, 1995; Stoker *et al.*, 1996; Constitution Unit, 1996b). Despite this, there is much discussion about what form of boundaries might be most appropriate. Hogwood (1996a) argues that it should not necessarily be assumed that boundaries devised for other purposes would be the most suitable for regional government. Further, John & Whitehead (1997) argue that adopting such boundaries might fatally damage a democratic regional project precisely by their incoherence.
- 4.3 International evidence would appear to indicate, however, that it is not necessary to have a historic identity in order to create a modern political one (Stoker *et al.*, 1996; Keating, 1996), and the concept of region does not always coincide with regional self-perceptions and structures (Jones, 1995). Historic nations such as Catalonia and the Basque Country sustain a strong sense of identity and recognition. It is possible to find examples of highly artificial regions maintaining a coherent identity (for example the French region Rhone-Alpes and many of the German *Länder*), as well as traditional regions (for example in the south of Italy) being hardly able to establish an identity and develop their own strategies. Indeed, in France the strong identity of the Alsace region has not produced any significant regionalist movement (Bihir, 1998 cited in Tomaney & Ward, 2000). On this basis, Stoker *et al.* (1996) argues that other cultural dimensions are more important than a pre-existing sense of regional identity, including: social stability; established processes of democratic participation and the existence of social and economic relationships.
- 4.4 Given a general lack of historic regional identity within England, consideration will need to be paid to initial identification, agreement of the proposed boundaries and methods of engendering and sustaining support for those spatial entities. On these matters, there is relative silence from the literature. There is much implicit assumption that regions would reflect the Government Office boundaries, and an assumption that regions should have a population of between 3–5 million (Stewart, 1995), though the basis and appropriateness of these assumptions remain unexplored.

- 4.5 There does not appear a need for administrative consistency amongst regions. There is no precedent internationally that authorities with similar powers need to be of a similar geographic or demographic size (Carter, 1995). A sense of identity would appear more important than size. By way of example, Italy has 7 regions (e.g. Umbria) with populations of less than 1 million, while 4 (e.g. Lombardy) have more than 5 million. In Germany, the city state of Bremen has a population of 667,000 whilst North Rhine-Westphalia has a population of 17 million. Of itself, therefore, size is not a determining factor, though research would provide a useful basis upon which to identify optimum parameters for activity.
- 4.6 There exists a small amount of literature which discusses the methods and purposes of identifying regional support for boundaries (for example, Council of Europe, 1998). The potential factors are wide-ranging, including factors which are more or less tangible to measure, including demographic and socio-economic factors, geographical features, and ethnic, cultural or historical bases. There is scant evidence of those critical success (or otherwise) factors which make the development of regional identity more (or less) likely. Dividing the country and delimiting regions is not an innocuous operation and is likely to give rise to strong resistance, generate conflicts of interest and create tension, argues Stewart (1995). To reduce tension it is essential that local authorities and citizens be involved in the process.
- 4.7 Some argue that one principle that should govern what regional boundaries look like is subsidiarity. It is argued that regional governmental structures should be based upon areas which not only facilitate the democratic process, but also enable services to be provided economically and efficiently, and as close as possible to the individual (Council of Europe, 1998; Norton, 1994). Those principles discussed by Norton (1994) regarding democratic and economic efficiency have been reviewed in paragraph 2.34.

CHAPTER 5

Implementing regional government

The phasing and speed of introduction

- 5.1 Decentralisation may take time and require implementation in stages but the process need not be a uniform one across the whole country. There is little direct empirical evidence on different approaches. The Labour Party's paper *Devolution and Democracy* (1991) argued for a phased approach to the development of regional government in which the first phase concentrated on building up the necessary administrative framework; the second phase involved the establishment of elected regional assemblies to take over the running of regional government departments, other administrative functions and quangos; whilst the final third phase would see a continuing process of devolution of functions and powers from Westminster.
- 5.2 International evidence illustrates the experiences of regional government being implemented in stages. Changes in Italy and Spain have involved a significant array of powers being available to all regions (albeit not devolved uniformly). France has also made exceptional provisions in the case of Corsica. Within a national framework of regionalisation, decentralisation in these countries has, therefore, not required all regions to move at the same pace or need to be involved in every stage of change (Newlands, 1998). Evidence suggests, however, that in most cases special arrangements designed to meet the demands of a small number of regions have been quickly followed by a similar structure for the whole country. Italy would appear to be the exception to this (Newlands, 1995). Further, the evolutionary approach may be an important element to the establishment of support within those regions, though evidence from France suggests that there may be negative impacts on identity and support if regional government is not seen as a powerful force from the start (Le Galès and John, 1997).

The resource implications of introducing regional government

- 5.3 The financial implications of regional government cannot be considered independently of the purpose that regional government is intended to serve, since the scope of the funding arrangements are dependent on the scope of the decision-making powers. Blow *et al.*, (1996a & 1996b) in their analyses of options for financing regional government argue that the nature of its functions will determine both the scale of resource required and the extent to which regional government should exercise control. Indeed, Carmichael (1996), in his review of devolution in Northern Ireland, suggests that the financial issue proved decisive in shaping the regional arrangements.

- 5.4 Much of the existing research has focused upon inter-regional financial arrangements and perceptions of 'horizontal equity' in adopting subsidy formulae. There has been little examination of potential intergovernmental financial arrangements and the relationship between central, regional and local government. This reflects the essentially political relationship between income, expenditure and need within regions. By way of example, in the case of Northern Ireland, the arrangement is that 80% of revenue to the regions is obtained from central government whilst decisions concerning 80% of expenditure are taken locally.
- 5.5 Blow *et al.*, (1996a) argue that in order for regional governments to function as genuine democratic units, they need access to some form of tax revenues under their own control, rather than reliance upon fiscal transfers from central government. They propose three possible forms of regional tax: a regional income tax; a regional sales tax; and a regionally variable business rate. The former, they argue, is least likely to lead to major locational distortions and is more accountable because of its transparency in burden and incidence.
- 5.6 Assignment of all existing central government services to regional government would take over a large proportion of total public spending, with considerable variation per head between different regions. Per capita spending on public services (including social security) in Wales is 18% higher than England; Scotland is 24% higher, whilst spending in northern and north western regions of England is 7% higher than the average across England as a whole (Blow *et al.*, 1996a). Allocation of central funds would require some form of explicit formula. The Barnett formula seeks to bring some convergence in relative spending between regions. It is not a measure of spending needs and cannot provide technical solutions to political problems, argues Midwinter (1999). Rather, it provides a mechanism for allocating changes in expenditure plans, and permits a degree of transparency to resource allocation decisions. The Barnett Formula provides a means of settling political decisions (Midwinter, 1999) and, Robertson (1997) argues, it therefore represents the only conceivable starting point for funding regional government. However, a question remains as to whether the differences are sustainable in a decentralised system. Explicit financial transfers between regions illuminate more clearly the differences in expenditure levels (Hazell, 1999), and the degree of statistical robustness of the formula used for allocation.
- 5.7 Regional disparities in government expenditure could still be maintained through differential inter-regional rates of taxation. Blow *et al.*, (1996b) argue that, whilst it might be uncomfortable, it need not be unsustainable and that levels of inter-regional migration are unlikely to be significant, even with large tax differentials. However, they argue, it would be prudent to spread the burden of significant differentials across a number of tax bases in order to reduce (perceived) variations and limit incentives to mobility.
- 5.8 An alternative way of sustaining public spending differences is by central transfer, effectively making explicit the current implicit financial transfers. IFS calculations illustrate that the equalising grant flows would need to be substantial which may raise issues of public consent and which might mean that decentralisation could substantially worsen the position of areas that currently benefit from fiscal transfers (Blow *et al.*, 1996b)
- 5.9 It is possible that the introduction of financial autonomy could be progressed in stages, and Tindale (1995) proposes a three stage process in which regional government was initially funded by grants, then, in the medium term, to allocate regions a share of taxes collected locally and then, in the longer term, there may be a case for giving regions power to vary those tax rates. It is, nevertheless, supposed that local authorities are unlikely to welcome regional authorities being given a share of their taxable resources (Tindale, 1995; LGIU, 1997).

- 5.10 Evidence from other countries portrays a variety of financial arrangements. In Spain, Italy and France, despite significant decentralisation, central government in all three countries exerts considerable control over the economic activities of subcentral government (Budd, 1997; Castells, 1990; Prud'homme, 1990). Regional (and local) governments are heavily dependent on central government grants. In Germany, as with Northern Ireland, there is more decentralisation of expenditure powers than taxation (Bennett & Krebs, 1991). Not all opportunities for fiscal autonomy amongst regions have been taken. In Italy, legal provisions for regions to levy an income tax surcharge have never been implemented (Bennett & Krebs, 1991).

CHAPTER 6

International evidence

Structure and powers of regional government

- 6.1 International experience of regional government is a diverse one. There are a plethora of different forms, introduced at different times, for different purposes and with different powers. From existing research, it is not possible to produce a clear typology, rather a grouping of resemblances, in which different practices coexist (Constitution Unit, 1996a). Table 1 presents a broad summary.

Table 1: Typology of International Forms of Regional Government		
	Form of regional government	Examples
Federal states	Wide-ranging powers: elected parliament; budgetary powers; legislative powers; right to levy taxes.	German Länder; Belgian provinces; Austrian Länder.
Regionalised states	Advanced powers (political regionalisation): elected parliament; limited budgetary powers; limited right to levy taxes.	Spanish Autonomous Communities; Italian regions.
Devolving unitary states	Limited powers (regional decentralisation): elected parliament; limited budgetary powers and substantial financial transfers from central government; limited right to levy taxes.	French regions; Dutch provinces; Danish amtskommuner.
Classic unitary states	No powers (regionalising without creating a regional level): no elected parliament; no budgetary powers and all financial resources transferred from central government; no right to levy taxes.	Greek nomoi; Portuguese planning regions; Finnish regions; Irish counties; Luxembourg; Swedish Län (counties)

Source: Wiehler & Stumm (1995); Stoker *et al.* (1996); Council of Europe (1998).

- 6.2 The four-fold classification represents a spectrum of forms of regional government, according to their degree and level of regional organisation. The majority of countries discussed here, with the exception of federal systems, are unitary in character in that sovereignty is exclusively located in central government. The degree to which they may be devolving functions and power, however, clearly differ. There remains debate about the precise category to which different countries may belong, though Stoker *et al.* (1996) provide a broad review of the nature of the different classifications.

- 6.3 Unitary states involve countries at different stages and positions with regard to devolution, including: those for whom devolution is not viable because of size (Luxembourg); those who have considered the issue but yet to make strong commitment (Ireland); those who have recently devolved administrative functions down from central government to new regional organisations (Finland, UK), or to county level organisations (Greece), and those who have moved functions from local authorities up to elected meso-level bodies (Sweden).
- 6.4 Devolving unitary states have undergone reform to establish elected regional authorities above the local level, in which the regional tier enjoys a degree of constitutional protection and autonomy. This category includes: Portugal where devolution has been restricted to the islands of the Azores and Madeira; the Netherlands where the major urban areas have had their regional powers strengthened; and Finland, where regions are deemed a tier of local government and have to compete for functions and funding with municipalities.
- 6.5 Regionalised states are characterised by the existence of a directly elected tier of regional government with constitutional status, wide-ranging autonomy and legislative powers. They generally differ from federal states by the absence of sovereignty protected by constitutional status. These countries have gone furthest down the road of reform. Both Spain and Italy are examples of countries where the regional level has wide competencies and powers. Both are former centralised states that went through a process of gradual regionalisation during the past 20 years.
- 6.6 Federal states involve a full constitutional sharing of powers and co-existence of sovereignties. The regional tier exists in its own right and could not be abolished or restructured. Both the German and Austrian *Länder* are constituent states in a federal system with wide-ranging powers and autonomy. Similarly, the Belgian regions, on the basis of their autonomy and range of functions, are undoubtedly federal in nature, though some reviewers argue it should be considered a regionalising state given the lack of mechanisms for collaboration between the centre and the region (Engel, 1993).
- 6.7 The above taxonomy describes the spectrum of powers held by regional governments. At one end, are the Belgian regions which, after the 1993 reforms, had decentralised most powers, and in which the efficacy of the national level of government is challenged (Hooghe, 1994). The quasi-federal case of Spain has a constitutional basis for decentralised power but retains a strong central state (Canel, 1994). More centralised is France which has given some powers to regions, but operates in the context of the powerful state and communal government (Le Galès & John, 1997). Italy's democratised regions were under central control until the mid-1980s (Cassese and Tochia, 1993) though they acquired more powers in the 1990s after pressure from the northern leagues (Bull, 1994). In the Netherlands, there are divisions according to areas of service: in some they are agents for central government in others they are autonomous actors, though the former role is generally more important (Stoker *et al.*, 1996).

Table 2: International forms and responsibilities of regional government

	No.	Av. pop	Responsibilities
Belgian provinces	6	1.7M	Belgium is covered by two types of regional organisation: 3 <i>territorial</i> regions responsible for physical and land-based functions including economic development, infrastructure and planning; and 3 <i>language</i> communities responsible for education, social services and culture.
Danish Counties	14	370,000	Hospital provision; health services; further education; social welfare; regional planning; rural conservation; highways construction and maintenance; public transport.
Finnish regions	19	270,000	Regional policy and spatial planning.
French regions	22	2.5M	Regional planning; economic development; construction and maintenance of <i>lycées</i> , co-ordinating local authority investment policies; partnerships with industries.
German Länder	16	5.1M	Allocation of functions varies between <i>Land</i> , though broadly include: education, highways and traffic management; hospital provision; police, public safety and rescue services; regional policy and planning.
Italian Regionis	20	2.8M	Community and social services; planning; economic development; health; police. [The five special status regions have enhanced powers].
Japanese prefectures	47	2.6M	Strategic planning; development and maintenance of 'prefectural' roads; high school provision; health clinics; police; SME development.
Dutch provinces	12	1.3M	Primarily supervisory, but include: civil defence; waste disposal; regional planning; highways construction and maintenance, energy and water supply, social and economic affairs, cultural tasks, healthcare, and (in conjunction with regional transport authorities) public transport.
New Zealand Regional Councils	12	300,000	Civil defence; regional physical resource management; transport planning; pollution control.
Poland Voivodships	16	2.5M	Overall responsibility for strategic development of the region, including: public and higher education; health promotion; cultural promotion; social assistance; rural modernisation; spatial planning; environmental protection and water resources; civil defence; public security; employment policy.
Spanish Autonomous Communities	17	2.3M	Urban planning; regional development; housing; public works; environment; social services; culture; tourism; agriculture; communications. [The historical full autonomy regions can also have responsibility for education and health].
Swedish Län	24	360,000	Health care and medical services; subsidy of cultural and tourist services; regional economic development.
Ukraine Oblasts	24	2.2M	Oblasts have centrally appointed administrations with directly elected regional councils. Have responsibility (with districts) for spatial planning; public transport; and co-ordination of local government, in addition to specific 'regional' functions.
US State governments	50	5.3M	Public welfare and health; prisons; higher education; highways; policing.

Source: Hughes *et al.*, (1998); Stoker *et al.*, (1996); Norton (1994).

Note: Figures cited for average population of regions derived from calculation: population/number of regions.

Functions of regional government

- 6.8 The functions of regional government are enormously varied. The table above provides a broad overview. Different powers and functions are held between local and regional level jurisdictions across different countries (as reviewed in Stoker *et al.*, 1996; Keating, 1996). International evidence is that most countries have devolved powers down from central government, though many have also removed some strategic functions upwards from local government. Others have ascribed functions to some regions but not others. In some cases, the functions of regional and local councils are distinct and the regional tier has no powers over local councils, e.g. New Zealand. The regional constitution may define the role of the local level, e.g. Australia, or the regional tier may not be able to exercise any control over local levels, e.g. France. In other countries, e.g. the Netherlands, different aspects of one task are shared between government tiers, from finance, planning and implementation. There is not one approach, and there is little research that examines the implications of the different options that are potentially available.

Emergence of regional government

- 6.9 Regional government has emerged for different reasons and through different processes. Reviews by, *inter alia*, Constitution Unit, 1996a; Stoker *et al.*, 1996; Hazell, 1999, present discussion of the options that are potentially available, reflecting Labour Party statements (1995; 1996) concerning the phasing of regional government. They can at first be based on just administrative deconcentration; in time, 'top down' regionalism stimulates a 'bottom-up' complement. Alternatively regions can slowly emerge from natural communities or historic loyalties. In Spain, regional government was introduced in stages: the constitution permitted different rates of devolution with some regions taking more power than others, followed by the rest of the country as they sought the same status as Catalonia and the Basque country (Hazell & O'Leary, 1999). In France, the *Debre* administrative regions were never envisaged as democratic entities, but their boundaries became the basis of elected regions. In Italy, regions were proposed in the constitution in 1948, but they took 20 years to be established and a further 20 years to become effective and legitimate.

Financial autonomy

- 6.10 Evidence demonstrates the widely differing degree of autonomy regional authorities have over the form and extent of their expenditure (Blow *et al.*, 1996a; Stoker *et al.*, 1996). In Denmark, there is freedom to set their own standards of service and fix tax levels. Two-thirds of their revenue is from income tax, averaging around 10% tax, collected centrally and then redistributed. In Switzerland, the cantons are free to set their own rates of taxation, with a revenue-sharing system for redistribution between richer and poorer cantons. Their sources of revenue vary, but are mostly income and wealth taxes, estate duties, and charges for services.
- 6.11 More centralised systems operate elsewhere. In France, the regions receive 60% of their income from centrally collected taxes levied on businesses and property owners (predominantly the *taxe professionnelle*; the *foncier bâti*; and the *taxe d'habitation*), and receive the remaining income from indirect taxes on electricity consumption, vehicle registration and property transfers. In the Netherlands financial arrangements are highly centralised:

90% of a region's income is from central government. Similarly, the newly created *voivodships* in Poland receive two-thirds of their income from central government (Regulski, 1999), of which one-third are subsidies (on which no controls are placed) and one-third are grants which are allocated for specific purposes. Funding is allocated to *voivodships* through a relatively transparent allocation formulae in which regions receive the same fixed proportion of state income taxes that are raised within them (Dawson, 1999).

- 6.12 Discussion of the extent of regional financial autonomy, however, cannot be divorced from consideration of inter-regional economic imbalances. The ability of regions to raise revenue is largely reflective of their different socio-economic and demographic characteristics. As a result, any increase in regional financial autonomy may serve to exacerbate regional inequalities, unless explicit national policies of redistribution are implemented to counter them. Drawing on the case of Poland, for example, where regions have autonomy to levy and spend one-third of their regional budget, the revenue-raising capacity of those regions near the country's eastern frontier is significantly lower than more prosperous regions further west (Regulski, 1999; Dawson, 1999).
- 6.13 In terms of financial autonomy, there has been an element of convergence among the large EU states, argues Newlands (1997). Whilst there has been decentralisation in such countries as France, Italy and Spain, in Germany (despite the entrenched powers of the *Länder*) there has been a perceptible increase in the degree of centralisation of functions and finance (Jeffrey, 1997; Harding *et al.*, 1996). This has arisen largely as a result of attempts by the federal government to increase the extent of regional redistribution. The federal government has evolved a regional policy, mainly concerned with infrastructural improvements, which is operated in conjunction with the *Länder*, whilst an equalisation fund financed by the federal government and the richest (West German) *Länder* was established in 1969 to provide another source of income for *Länder* in need of extra resources (particularly in the new East German *Länder*).

CHAPTER 7

Conclusions

- 7.1 There is an absence of any comprehensive empirical or comparative analysis of the options surrounding the form and function of regional government within England. Whilst the domestic literature concerning the justifications for regional government is relatively extensive, much of it is in the form of thinkpieces and advocacy and there remain a number of significant gaps. There is a clear need for more detailed options appraisals for regional government, particularly in relation to the implications of different executive functional and administrative capacities, intergovernmental relations and legislative and constitutional issues.
- 7.2 In contrast, literature about international forms of regional government is more developed and contains much detail about existing systems. This provides evidence that an evolutionary and incremental approach to the introduction of regional government can be adopted. As such, it suggests, progress towards regional government should not be discouraged by disparities in the preceding institutional arrangements, the incremental approach or the idea that regionalism is necessarily forestalled by a non-uniform national pattern. It remains, however, that there has been no comprehensive study of the transferability of international lessons to the English context.
- 7.3 Regional government can develop strong roles through overcoming fragmentation of policy and institutions. The organisational fragmentation at the regional level within England may mean, moreover, that this role will necessarily emerge. The experience of other countries, and from the early development of RDAs, is that it may be possible to establish core functions and then permit functions to be added incrementally. Within Europe, there is evidence that it is possible to create viable political institutions which are capable of innovation rather than establishing tightly defined administrative bodies which control strictly demarcated policy sectors.

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