

LYONS INQUIRY

into Local Government

**Promoting economic prosperity:
considering the implications of
Eddington, Barker and Leitch**

Questions for stakeholders



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Foreword

I am pleased that the Chancellor has asked me to take a short additional period to consider the implications for local government of the Eddington Transport Study, the Barker Review of Land Use Planning and the Leitch Review of Skills. The issues raised by these reviews about the powers and responsibilities of local authorities, and about sub-national economic development more widely, are important ones for the future role of local government and I have been considering them as part of my work so far.



This extension is therefore a valuable opportunity to advise the Chancellor on how the Government might make best use of the recommendations for local government. It puts me in a unique and important position to ensure that my final recommendations reflect the latest thinking and analysis in this area, and are as powerful as possible. My final report will be published around the time of the Budget and will help to inform the Government's Review of Sub-National Economic Development and Regeneration, and the Comprehensive Spending Review.

I first set out my definition of local government's strategic role, which I term 'place-shaping', last December, and developed it in my report, *National Prosperity, Local Choice and Civic Engagement*, in May this year. I believe that local authorities have a unique responsibility and ability to represent the needs and views of an area and its people, and to pursue the well-being of the community. The pursuit of economic prosperity is a key part of that place-shaping role, and one I discussed in May, when I also noted some of the recent debates about their ability and capability to do so, including in relation to transport, skills and planning.

The Eddington Study and the Barker and Leitch Reviews identify and consider further a number of these issues, backed up by analysis and expert commentary. There are a number of themes which can be identified across the reports, and in other recent work, including that of my own Inquiry.

One of the biggest questions concerns the governance of these services – where and by whom decisions about policy and funding are made – and the respective roles of local, sub-regional and regional bodies. All three reviews note the need to recognise that economic activity does not respect administrative boundaries, and that isolated decisions within those boundaries may not reflect the reality of the modern economy or the costs and benefits that can spill over to other places and people.

What I would term 'convening' – the importance of bringing together different services and decisions to get the best overall solution – is also relevant. In order to develop effective approaches to government interventions, and efficient use of public resources, different policy issues need to be brought together in a comprehensive way. Wider quality of life issues, which can be as important to economic success

and the attractiveness of places as infrastructure investments also need to be linked into economic strategy making.

There is a shared interest across the reviews in the infrastructure and investment (including the human capital) needed to support this country's continued economic prosperity and future growth. That extends beyond questions about public funding to encompass considerations of how the system can support private investment coming forward in an efficient manner.

Behind all this there is the question of funding. Questions about the funding of public services and investment, including from individuals, businesses and private sector investors are raised by all three reviews. But this is not just a question of how the money for necessary functions and investments can be found – important though that is. It is also about how existing funding systems can provide flexibility and incentives for local authorities and other bodies to respond to economic changes and to make appropriate strategic decisions.

This document

This document therefore identifies a set of specific questions for local authorities, the business community, experts and other stakeholders to consider, under the headings of governance, convening and funding.

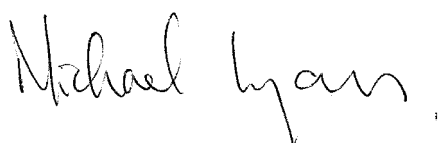
I would also welcome responses which address two more general questions. Firstly, I would value final views on whether local authorities have the powers they need to undertake their place-shaping role, particularly in pursuing economic prosperity. I would urge stakeholders to be as clear and specific as possible in their answers to that question. Secondly, it would also be helpful to receive views on how the implications of the reviews and their recommendations might vary between different parts of the country and different kinds of place, for example between rural areas and major cities.

Finally, if there are any other aspects of these reviews relevant to local authorities and to their place-shaping role that I have not identified, I would be very happy for respondents to note and discuss those in their submissions.

Timetable for responses

I would be grateful if stakeholders could submit their views by 19 January 2007. I apologise for the tight timetable, which is driven by my desire to have time to absorb views before finalising my report. The responses will also feed into a series of expert roundtable discussions planned for the end of January and early February.

I look forward to your responses.

A handwritten signature in black ink that reads "Michael Hyam". The signature is written in a cursive, slightly slanted style.

Questions for stakeholders

Overall

Do local authorities have the powers they need to effectively undertake their place-shaping role, particularly with regard to pursuing economic prosperity?

How do the issues raised by the three reviews, and the implications of their recommendations, vary between different parts of the country and different kinds of place, for example between rural areas and major cities?

Are there any other aspects of these reviews relevant to local authorities and to their place-shaping role that I have not identified? If so, what are they and what are their implications?

Eddington Transport Study

Governance

- Can local authorities work effectively in partnership to deliver transport outcomes or are new/reformed institutions necessary?
- What are the key behaviours required of local authorities to work in such partnerships? Would new institutional or contractual arrangements be needed to support them?
- Do the issues not considered by Eddington – particularly the potential benefits of aligning transport with other policy powers – alter the best overall design for governance arrangements?
- How could local government make use of any new bus powers in line with its broader role in promoting economic development?

Convening

- How can local authorities make the links between transport and other elements of economic development and quality of life most effectively at the local level?

Funding

- How could current funding arrangements best be reformed to support cost effective and appropriate spending and investment decisions at sub-national level?
- What transport funding sources are most appropriately managed by local bodies? What would be the most appropriate incentives to encourage the adoption of demand management options at a local level?
- Local authorities currently retain the revenues from local road pricing schemes. How might further developments in this area affect the use of those revenues?

Barker Review of Land Use Planning

Governance

- What specific measures are needed to ensure that local planning authorities have appropriate flexibility over issues of solely local impact? Are there particular implications from the Review's recommendations on the use of green belt land?
- What different approaches could be taken to enable strategic decisions to be taken at an appropriate spatial level? Can local authorities work effectively in partnership across wider areas to do this or are new/reformed institutions necessary?
- What role should local authorities have in relation to a future independent Planning Commission, and how should they best work with local communities on their concerns and potential benefits?

Convening

- How can local authorities link work on planning, housing and transport issues together most effectively?

Funding

- What would be the most effective and practical means of creating incentives for local authorities to support appropriate growth?
- How should the empty property relief in business rates be reformed? How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system? Would any local flexibility on such measures be desirable?

Leitch Review of Skills

Governance

- With their new strategic leadership role, how can local authorities relate most effectively to a reformed Learning and Skills Council on 14-19 education issues? What are the merits of the different options for managing the division of these responsibilities?

Convening

- What links need to be made between employment and skills provision, and other local services and responsibilities?
- What role should local authorities play in a new demand-led skills system?
- What role should local authorities play in the proposed Employment and Skills Boards, to ensure skills and employment issues are properly linked to wider work on economic prosperity and development?

Funding

- What implications for local authority funding do the Leitch recommendations or related proposals have?

Responses

You are welcome to respond to any or all of the questions in this document. Please send responses (by e-mail if possible)

to sirmichaellyons@lyonsinquiry.org or to:

Lyons Inquiry
Room 3/12
1 Horse Guards Road
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The deadline for responses is **Friday 19 January 2007**

Context on the reviews

Eddington Transport Study

Background

The Eddington Study was commissioned to examine the long-term links between transport and the UK's economic productivity, growth and stability, within the context of the Government's broader commitment to sustainable development.

The Study's final report makes the following recommendations across its remit:

- To meet the changing needs of the UK economy, Government should focus policy and sustained investment on improving the performance of existing transport networks, in those places that are important for the UK's economic success;
- Over the next 20 years, the three strategic economic priorities for transport policy should be: congested and growing city catchments; key interurban corridors; and the key international gateways that are showing signs of increasing congestion and unreliability;
- Government should adopt a sophisticated policy mix to meet both economic and environmental goals. Policy should get the prices right (especially congestion pricing on the roads and environmental pricing across all modes) and make best use of existing networks;
- The Government, together with the private sector, should deliver sustained and targeted infrastructure investment in those schemes which demonstrate high returns, including smaller schemes tackling pinch points;
- The policy process needs to be rigorous and systematic, to consider the full range of modal options and to ensure that spending is focused on the best policies; and
- Government needs to ensure the delivery system is ready to meet future challenges, including through reform of sub-national governance arrangements, new arrangements for the regulation of the bus sector, and reforming the planning process for major transport projects by introducing a new Independent Planning Commission to take decisions on projects of strategic importance.

The Government has announced that it will be proposing reforms to bus regulation and passenger transport powers in a draft bill later this year.

Implications for local government

The key questions arising from the Eddington Study concern the appropriate spatial level and possible models for sub-national decision-making on transport issues, and the accountability, funding and governance implications of those. The Study sets out principles and considerations for such arrangements, including a concern that they should operate at a geographical scale that covers the functional economic area. However, it does not provide conclusive recommendations, and notes that it has not considered a number of important associated issues including accountability structures, the fit with other bodies, the costs and practicalities of changes and the benefits of aligning transport decision-making with other policy powers.

Questions for stakeholders

Governance

- Can local authorities work effectively in partnership to deliver transport outcomes or are new/reformed institutions necessary?
- What are the key behaviours required of local authorities to work in such partnerships? Would new institutional or contractual arrangements be needed to support them?
- Do the issues not considered by Eddington – particularly the potential benefits of aligning transport with other policy powers – alter the best overall design for governance arrangements?
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Convening

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- How could current funding arrangements best be reformed to support cost effective and appropriate spending and investment decisions at sub-national level?
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Barker Review of Land Use Planning

Background

The Barker Review was set up in 2005 to consider how, in the context of globalisation, planning policy and procedures could better deliver economic growth and prosperity alongside other sustainable development goals. The Review's interim report was published in July 2006.

The Review's final report aims to create planning policy and processes that give appropriate weight to economic benefits, are more responsive to changing circumstances (including environmental pressures), and deliver decisions in a more transparent and timely manner.

It recommends:

- Ensuring the planning system and plan-making takes better account of the benefits of economic development and job creation
- Streamlining policy and processes through reducing policy guidance, unifying consent regimes and reforming plan-making at the local level
- Greater certainty, by reducing Ministerial call-ins by 50%, speeding up the appeals processes and introducing individually tailored delivery agreements between planning authorities and developers
- Encouraging local authorities to work together, and in the medium term considering how strategic planning powers can be operated at a level which better aligns spillovers with administrative boundaries
- Encouraging planning bodies to review their green belt boundaries
- Considering how fiscal incentives can be provided to local authorities to support appropriate development;
- Introducing a new system for dealing with major infrastructure projects, based around national Statements of Strategic Objectives and an independent Planning Commission to determine applications;
- Considering enhancing fiscal incentives to ensure an efficient use of urban land, in particular by reforming business rate relief for empty property and exploring the options for a charge on vacant and derelict previously developed land

Implications for local government

The key questions arising from the Barker Review concern the appropriate spatial level for different planning decisions, the role of an independent planning commission to make national decisions, and the incentives and funding flexibilities available to local authorities.

Questions for stakeholders

Governance

- What specific measures are needed to ensure that local planning authorities have appropriate flexibility over issues of solely local impact? Are there particular implications from the Review's recommendations on the use of green belt land?
- What different approaches could be taken to enable strategic decisions to be taken at an appropriate spatial level? Can local authorities work effectively in

partnership across wider areas to do this or are new/reformed institutions necessary?

- What role should local authorities have in relation to a future independent Planning Commission, and how should they best work with local communities on their concerns and potential benefits?

Convening

- How can local authorities link work on planning, housing and transport issues together most effectively?

Funding

- What would be the most effective and practical means of creating incentives for local authorities to support appropriate growth?
- How should the empty property relief in business rates be reformed? How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system? Would any local flexibility on such measures be desirable?

Leitch Review of Skills

Background

The Leitch Review was tasked in 2004 with identifying the UK's optimal skills mix in 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required. It published its interim report in 2005.

The Review's final report, *Prosperity for all in the global economy – world class skills*, recommends that:

- Attainment in adult skills across all levels should be increased, measuring success on outcomes not outputs;
- *Train to Gain* and *Learner Accounts* should be used to fund adult skills development in a demand-led fashion, making the Learning and Skills Council (LSC) responsible for managing funding and ensuring effective competition;
- The collective voice of employers in the skills system needs to be strengthened by rationalising existing bodies and creating a new Commission for Employment and Skills;
- Employer engagement and investment in skills should be increased through reform of the Sector Skills Councils;
- A new 'Pledge' should be launched for employers to voluntarily commit to train all eligible employees up to Level 2;
- People's aspirations and awareness of the value of skills should be increased through sustained awareness programmes and a new universal adult careers service; and
- A new integrated employment and skills service should be created to increase sustainable employment and progression, and develop a network of employer-led Employment and Skills Boards to influence delivery (ideally at the level of the functional economy)

Implications for local government

The Leitch Review's recommendations propose significant changes to the way in which adult skills should be funded, managed and influenced, with implications for how local authorities can and should engage with skills and employment issues.

The recommendations also raise questions about the planning and management of 14-19 education, responsibility for which is shared between local authorities (14-16) and the LSC (16-19). The Government announced in the recent White Paper on Further Education that it wants "local authorities to play the strategic leadership role, consistent with their leadership role in children's services overall, ensuring the integration of the delivery of 14-19 reform with the wider agenda for children and young people in the locality". I am interested in the nature of this strategic leadership role and what it means for the relationship between local authorities and the LSC, and how these relationships might develop in the light of the Leitch Review's recommendations. A number of options have been raised, from the status quo to improved partnerships or unifying responsibilities in local authorities or elsewhere.

Questions for stakeholders

Governance

- With their new strategic leadership role, how can local authorities relate most effectively to a reformed Learning and Skills Council on 14-19 education issues? What are the merits of the different options for managing the division of these responsibilities?

Convening

- What links need to be made between employment and skills provision, and other local services and responsibilities?
- What role should local authorities play in a new demand-led skills system?
- What role should local authorities play in the proposed Employment and Skills Boards, to ensure skills and employment issues are properly linked to wider work on economic prosperity and development?

Funding

- What implications for local authority funding do the Leitch recommendations or related proposals have?