



## The Lyons Inquiry into Local Government

### London First submission

#### Introduction

London First is a business organisation which campaigns to improve and promote London. We mobilise the experience, expertise and enthusiasm of business leaders, drawing on the support of our members who are 300 of the capital's major businesses, representing 26% of its GDP and 17% of its workforce.

We welcome the opportunity to respond to the extended remit of the Lyons Inquiry and believe it is a sensible and timely review.

Our response to this part of the Lyons Inquiry looks only at the role and function of local government in London and although our observations and recommendations may relate to other parts of the country, we would not presume to advocate any change to local government outside London's boundaries.

We also respond to this inquiry as a business organisation and, as such, we have not covered every aspect highlighted in the consultation paper. Our submission is predominantly concerned with the role of local government as it impacts on the competitiveness of London and, more specifically, on London's individual businesses. We have not considered every aspect of local authorities' impacts on business – direct and indirect – particularly education, which is clearly vital to long-term competitiveness but which will, anyway, be subject to institutional change following the enactment of the Education Bill currently before Parliament.

In this context we argue that London needs careful and, in some areas, separate consideration from the rest of the country. This is due to three main factors:

#### **London's role in keeping the UK competitive**

London is a massive net contributor to the UK economy and needs to have the structures in place to support and develop this role. Recent estimates put London's net contribution to public finances at up to £18bn for 2003/4. The requirements of the capital's residents need to be carefully balanced with the requirements of the country's wealth creating industries. London no longer competes with other UK cities but with other world cities such as Paris, New York and Tokyo. Consequently its local and business services need to match those on offer in other cities. In particular, the pace of change is increasing globally and London's public services need to be able to respond at the same rate to remain competitive, especially as regards decisions on planning. **See Appendix 1**



## **London's national role**

As a capital city, London performs a unique role and therefore has different needs to other English cities and towns. For example, as the seat of national government and an international focal point, it requires specialised security apparatus. Over half a million commuters travel into London each day making use of its transport and law enforcement services. This has massive implications for the role that many London authorities must play in ensuring their boroughs are safe, clean and efficient, not just for residents but for those visiting and working in London.

## **Greater London Authority**

London's local authorities operate within a unique framework. As the only English region with an elected layer of government, there is sometimes confusion as to the level at which responsibility and accountability for some functions should lie.

We hope that the current review of the powers of the Mayor and the Assembly being carried out by the Office of the Deputy Prime Minister will resolve many of these issues. However, this review does not focus on either the role of the boroughs or funding, both of which have a significant impact on the way London is governed and operates. We hope that the proposals on London's governance can be incorporated into the Lyons review and vice versa.

We attach as **Appendix 2** our recent submission to the ODPM review and would ask that particular reference is made to the sections on planning and waste.

It is in this context that we are responding to the specific issues posed by the Lyons Inquiry.

### **1. Strategic Role**

We agree with the definition of the strategic role for local government as outlined in the consultation document and believe that local authorities should have a clear role in building local identity and cohesion, championing local needs and promoting local economic success.

As outlined above, however, this has to be done within the framework of the Greater London Authority's London-wide strategies, aimed at maintaining London's world city status (see point 2 below).

### **Business engagement**

We would also argue that the creation of this local, strategic vision should be done in partnership with local businesses – not just residents. Business is keen to see far more constructive links between local authorities and local businesses and believes that consultation is insufficient when, in practice, there is no leverage or redress. Also, most mechanisms/partnership structures used to engage business in London are not 'business friendly'. Informal structures may often be more effective if there is a genuine desire to consult.



## **2. Devolution and decentralisation**

As a principle, London First has consistently argued that, in the interests of democracy, government should be brought as close as possible to the electorate and that functions should be devolved to the lowest tier of government capable of exercising them effectively.

We therefore favour devolution from central to London government (the Mayor) and from London to local government as long as the necessary changes, including transitional arrangements, are fully worked out. This suggests that devolution should be approached on an issue by issue basis. The issues that we have identified as being of particular importance to London's competitiveness are planning, waste and transport.

### **Planning**

London is forecast to grow by 800,000 people and 600,000 jobs by 2016. Planning plays a critical role in supporting and enabling this growth. However, the planning system in London is widely considered to be slower and more complex than in other UK cities. London needs a planning regime that is more consistent, quicker and more responsive

London is the first region to have adopted its Regional Spatial Strategy (The London Plan) which is now undergoing an Alteration and its first review. The London Plan has brought a welcome strategic vision and focus to the capital although it is still not reflected in all local policy and decision making.

How planning operates in one borough will vary considerably from another. Even within boroughs there can be variance in the way policy is interpreted and applied in different cases. Whilst it is crucial that planning judges each case on its own merits, greater consistency in the interpretation and application of policy and guidance is needed.

There is also inevitably a tension between meeting strategic regional needs and policies of local planning authorities based on the concerns of electors. Applications too often are assessed in the context of local political issues rather than strategic planning policy and the wider needs of the capital.

In our response to the Review of the Mayor's powers we have recommended that Borough development plans should be required to conform to the Mayor's London Plan rather than just be 'in general conformity' with it (**Appendix 2**).

### **Waste**

London authorities face substantial fines for failure to meet targets for reducing the amount of bio-degradable waste that goes to landfill. Little progress has been made so far in providing new facilities in London to reduce the use of landfill and it seems unlikely that current arrangements will deliver the required change. Changes in both the waste disposal and waste planning arrangements are therefore needed to enable London to meet the demands of an increasing population in a sustainable way. London needs a regional strategy as some local authorities may not be able to find space for new disposal facilities within their boundaries. There is also a need for strong leadership and an action-driven executive authority to achieve investment on the scale required.



Commercial operators are also seriously concerned about the difficulty of obtaining planning consent for new facilities. An impasse on planning consent has meant no infrastructure for waste disposal has been built for the last 7 years. The London Plan determined that consent for each plant should be decided on its merits, while boroughs' unitary development plans do not identify sites for new facilities. Several major schemes remain locked in dispute.

Changes in both the waste disposal and waste planning arrangements are needed to enable London to meet the demands of an increasing population in a sustainable way.

- The strategy has to be London-wide. Some authorities, e.g. in central London, may not be able to find space for new disposal facilities within their boundaries.
- There is a need for strong leadership and an action-driven executive authority to achieve investment on the scale required.
- The strategy should identify sites for new facilities.

We have therefore recommended the creation of a single waste authority as a functional body of the GLA (**Appendix 2**)

In addition, there should be stronger financial incentives for authorities to provide facilities for waste disposal. Consideration should be given to a London tradable allowance scheme, which would reward authorities that provide new facilities at the expense of those that fail to do so.

### **3. Managing pressure on local services**

London's unique, national role has enormous implications for the role, responsibilities and resources of the capital's local authorities, particularly those in central London. Whilst it is natural that councillors' first allegiance is to their electorate they must also recognise the role that London boroughs play in creating a successful, thriving capital city.

Many boroughs are too small or have insufficient resources to manage some of the services for which they are responsible. The performance of London's boroughs varies widely. In many areas, boroughs are increasingly the 'organisers' of services rather than the 'providers'.

#### **Roads**

There are inevitably tensions between the need to cater for traffic moving around London – not just cars, but buses and taxis and commercial vehicles making deliveries and servicing premises – and the need to meet the concerns of residents. Local residential roads and high streets are best managed by boroughs, but management of main roads needs to be overseen by a single authority. The main issue is where to draw the line, and how to manage the interface between local and strategic.

In addition, changes to one part of the network have knock-on effects elsewhere. There are therefore difficulties in managing the interface between strategic and local roads. This is particularly difficult in London because of number of authorities involved – 35 including the Highways Agency, Transport for London (TfL) and the boroughs. This situation is not satisfactory.



This was evidently a view shared by the Government in enacting the Traffic Management Act, which acknowledged the need for special arrangements for London. There are some respects, however, in which we do not believe the Act has gone far enough.

Co-operation between TfL and the boroughs is obviously vital, but it needs to be based on a more coherent strategy for managing the strategic road network in London, which TfL have not yet produced. Once they do, TfL should have back-up powers to avoid deadlock. The Bill should require boroughs to implement the strategy and give TfL powers to ensure its implementation on the strategic network, similar to the powers originally used to implement the Red Route network (now the TfL road network).

### **Planning**

The planning system is going through a fundamental change as a result of the 2004 Planning and Compulsory Purchase Act with local authorities and regions preparing new regional and local plans. At the same time there is a push to increase the amount of development, particularly residential, to meet the Government's objectives and increase housing supply. Local authorities are extremely under-resourced. Further change or proposed change could increase uncertainty and slow down rather than improve planning. In our response to the Barker Review of Planning we will be looking to highlight ways in which the operation of the planning system can be improved rather than seeking further change to the structure. Most critical to this is increasing resource in planning departments. We will send you a copy of this report shortly.

Planners and traffic engineers are in short supply. There is a strong argument for London-wide recruitment – which could be undertaken by the Association of London Government and more joint working. Groups of boroughs could also pool their resources or appoint one to provide services for the others.

This sort of collaboration and sub-regional arrangements have begun to develop, e.g. Olympic Joint Planning team, and we need to build on this experience.

### **4. Scope for new agreement**

London boroughs have many issues to contend with. The public, and that includes business, do not have a clear understanding of their role and what change they actually have the power to effect. Their resources are limited and their budgets are volatile – it is not always clear how much funding they are going to get and which stream it may come from. The instability of government policies can limit their ability to make long-term plans or commitments. As a result of these pressures they often have difficulty attracting high-calibre staff.

Government needs genuinely to 'let go', whether to London or local government and it needs to be clear about the level to which any power is being devolved.

### **5. Funding**

As we have previously stated, London First supports the objective of increasing the amount of revenue that local authorities raise themselves and reducing their dependence



on Government grants. The accountability of the authority is diminished when the services they provide are determined not by what their electorate wants but by the level of grant provided by central government, which can change year on year. Greater devolution of fiscal responsibility should lead to more transparent decisions making better use of taxpayers' money.

We have also argued that further devolution to the Mayor and the Greater London Authority – which now looks increasingly likely – should go hand-in-hand with greater independence in raising and keeping funds at the London level.

However, when considering the implications of a move from the current system of centrally allocated funds to more localised collection and distribution of revenue a number of issues need to be factored in:

- Those who pay tax should have an effective voice in decisions on how much is raised and what it is spent on.
- Local variations in tax rates should not distort business decisions (e.g. create incentives to relocate).
- Any new local tax raising powers must be offset by reduction in national tax levels: more local taxes should not mean more tax in total.

The Lyons inquiry has already received our submission on funding options which includes proposals for adapting the current business rate and assigning the GLA an appropriate share of national income tax paid by London residents.

We have now also responded to the consultation on Planning Gain Supplement (**Appendix 3**). We believe, in line with the original proposal from the Barker Review, that it is not relevant to the situation in London, where virtually all development takes place on brownfield sites where windfall profits from planning permission are unlikely to arise, that the effect would be to encourage refurbishment rather than redevelopment and that the revenue would in any case be limited.

We will, however, be considering other ways of capturing increased land values, including joint ventures between business and local authorities which would encourage longer-term joint interest. We will also be considering the option of more contractual arrangements between boroughs and their local businesses. As we reach conclusions on these issues we will contribute further to your Inquiry.

We look forward to the interim report on role of local government before the summer. In the meantime, if you have any questions regarding this paper please contact Clare Convey on 020 7665 1572 or [coonvey@london-first.co.uk](mailto:coonvey@london-first.co.uk).

**London First**  
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