



Lyons Inquiry into Local Government
Room 3.12
1 Horse Guards Road
London
SW1A 2HQ

16 January 2006

Dear Sir Michael,

**LYONS INQUIRY INTO LOCAL GOVERNMENT
CONSULTATION PAPER AND INTERIM REPORT**

The Federation of Small Businesses (FSB) welcomes the opportunity of responding once again to the inquiry on behalf of its 200,000 members. Please find our comments in the document attached.

We trust that you will find our comments helpful and that they will be taken into consideration. The FSB is willing for this submission to be placed in the public domain.

We are, of course, happy to meet you if you wish to discuss any of our proposals in further detail.

Yours sincerely

Roger Culcheth
Chairman, Local Government Affairs Committee



LYONS INQUIRY:

***PROMOTING ECONOMIC PROSPERITY:
CONSIDERING THE IMPLICATIONS OF
EDDINGTON, BARKER AND LEITCH***

**RESPONSE FROM THE
FEDERATION OF SMALL BUSINESSES (FSB)**

Introduction

The Federation of Small Businesses is the UK's leading non-party political lobbying group for UK small businesses, existing to promote and protect the interests of all who own and manage their own businesses. With over 200,000 members, the FSB is the largest organisation representing the self-employed and small and medium sized businesses in the UK.

The FSB welcomes the opportunity to respond to the invitation for stakeholder input concerning the implications of the Eddington, Barker and Leitch Reviews. We welcome the reviews but would urge the Inquiry to recognise that small businesses are an integral part of the community. In order to support strong and prosperous communities with thriving town centres and a high level of employment opportunities, it is crucial that there is a business friendly infrastructure in place.

For continuity and reference, previous recommendations from the FSB to the Lyons Inquiry are as follows:

- **Business rates are not relocalised.**
- **Other ways of funding the non-Exchequer portion of local council spending is be explored.**
- **The balance of funding is spread from a wider range of sources in order to reduce the overall burden of business rates.**
- **The small business rate relief scheme should be extended to include properties with a rateable value of up to £20,000.**
- **There is greater simplicity and transparency in the administration of business rates.**
- **A moratorium on the annual RPI increase in the multiplier is introduced, which over time would produce a reduction in the burden of business rates in real terms.**

Lyons Enquiry into Local Government – Promoting Economic Prosperity: Considering the Implications of Eddington, Barker and Leitch

Questions for Stakeholders

Overall

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

The FSB believes that local authorities do not, as yet, have adequate powers to make decisions which will effectively support local economic growth and business development. Decision-making should be devolved to the most local reasonable level, even to town or parish councils where necessary. This would ensure that decision-makers would be more in touch with the need of the immediate local communities, rather than the district councils. This is particularly important in rural areas where the district boundaries can be comparatively vast.

2. 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?

Rural areas have different needs from urban areas and surprisingly the reviews do not seem to adequately take this into account. For example, public transport in rural areas ought to recognise the needs of local residents with regard to timetables, frequency and efficiency.

To introduce road pricing without first ensuring a robust transport system which allows local residents a viable alternative to driving, will be detrimental to many rural communities.

3. 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?

Healthy local business communities are an integral part of the wider successful community development. This can be ensured by carefully observing the needs of the business community in any plans relating to local infrastructure. It is in the interest of communities as a whole that small businesses are recognised as being an integral part of the community and are not perceived as a separate entity.

Eddington Transport Study

Governance

1. Can local authorities work effectively in partnership to deliver transport outcomes or are new/reformed institutions necessary?

Many projects run across local authority borders and so it is vital that local authorities work in partnership together to get the best transport outcomes. Partnerships will work if local authorities prioritise transport issues and agree to adequately fund the transport network.

2. Do the issues not considered by Eddington alter the best overall design for governance arrangements?

The FSB welcomes the recommendation of Eddington to reform the planning process for major infrastructure projects. However, Eddington could have touched upon spending decisions for housing, economic development and transport as the three funding streams are interlinked in yearly Regional Funding Allocations (RFA). The RFA system must ensure that funds are ring-fenced and used for the designated activity.

Funding to private and public transport areas level should be left to the sub-national bodies to determine the apportionment. The economic impact is as relevant as the environmental impacts when deciding on funding. A decision on whether to invest in a road maintenance project (economically focussed) or a bus improvement system (environmentally focused) needs to be fully evaluated before a decision is made. Environmental priorities will be difficult to achieve if the long term economic health of a region is compromised by under-investment in the transport infrastructure.

4. What transport sources are most appropriately managed by local bodies?

Local roads should be managed by local bodies. A recent FSB transport survey¹ showed that businesses rely on their local road network, with nearly 50% of small businesses carrying out their trade within 20 miles of their base.

5. What would be the most appropriate incentives to encourage the adoption of demand management options at a local level?

A local transport authority will understand the reasons behind a congested stretch of road and what tools are needed to relieve the congestion. Tools for targeting pinch points on motorways, eg. hard shoulder usage and car pool lanes, should be considered as alternatives to demand management options. Demand management tools should enter a congestion debate if there are no viable alternatives. The examples of car pool lanes on stretches of the motorway, road widening on the M1 and M25, and the use of bus lanes in areas such as Leeds are good examples of successful innovations.

A local authority, that introduced a demand management scheme, would have to ensure it was not for revenue generating purposes, and instead, a genuine congestion cutting system. The London Congestion Charge receives the majority of its revenue from late payment penalties. Without the penalties the scheme would be in significant deficit. Therefore, a demand management system should provide a period of leniency for motorists to get used to the payment procedure.

¹ FSB Transport habits amongst small businesses – September 2006

Taxes and business rates are set nationally so it would not be possible to off-set the cost of road pricing. Any schemes that are introduced must be interoperable as road users should not be expected to drive through a succession of road pricing systems and know how the different systems work.

Investment in transport improvements, roads in particular, is the fairest way for income to be distributed in the event of a demand management system. In the UK, of the £45 billion that is collected from road taxes, only £7 billion is invested in the road network. This amount is not proportionate to the amount collected and this imbalance needs to be addressed. Local authorities will need to ensure that money collected through the system is ploughed back into the transport network.

Leitch Review of Skills

1. How can local authorities relate most effectively to a reformed Learning and Skills Council on 14-19 education issues?

Local authorities need to be in constant contact with local employers to understand what their training needs are. Local authority representatives need to focus more on the training needs of employers and not predominantly those of employees.

2. What links need to be made between employment and skills provision, and other local services and responsibilities?

The employer-led Commission for Employment and Skills will need to be mirrored at the local level. Local business people can understand the needs of local businesses; Sector Skills Councils and Learning and Skills Councils need to consult at regular intervals with small businesses who are hindered by a lack of training resources. Unless there is a real opportunity to ensure that skills provisions meet the needs of the local community (rather than centrally imposed targets) than any changes to the system will prove meaningless.

3. What implications for local authority funding do the Leitch recommendations have?

Small businesses are concerned that funding at the basic level and intermediate level will be cut and that the private sector will be forced to act as a provider of the funding for training. The funds for training employees in basic literacy, numeracy and communication skills should not be met by small businesses, as that would in effect mean paying for the failed delivery of public services. If an employer wants to add value at levels 3 and 4 the responsibility passes rightly to the employer and the employee.

Barker Review of Land Use Planning

Governance

1. 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?

Flexibility is needed to allow local authorities to amend regional requirements. For example, where there is no further planning scope for the town centre, brownfields should be used foremost. The final decision should be based on pragmatism and not regulation as it would be better to build on a greenfield site than on a contaminated brownfield site. However, the FSB has some concerns that town centres could suffer if planning permission was granted too abundantly for greenbelt ventures, such as supermarkets. This could be prevented by having measures in place that would allow planners to refuse any green or brownbelt application which would clearly draw considerable business activity away from the town centre and create the risk of a ghost town.

The Barker Report made limited reference to the 1947 Town and Country Planning Act which the FSB believes would benefit from being reviewed, to ensure that the Act supports modern requirements.

Decisions should also take place at the most devolved level which is reasonable to the particular situation, in order to ensure a genuine understanding of the area and the circumstances, while also taking the Local Development Framework and Regional Spatial Strategy into account.

2. 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?

Where there is a planning application by a small business, more reasonable conditions could be applied. Where business-related plans do not interfere with the community, unnecessary restrictions should not be imposed. For example, if a business wishes to function for extra hours and if there is no resulting noise pollution or nuisance, a "common sense" approach should be adopted by any planning committee. An example of this could be a tradesman with a workshop who needed to work later than usual and who was not creating any noise pollution. The FSB would recommend a light touch system of regulation for small business planning applications.

3. 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?

The FSB believes that there is no need for any extra "layers" in the planning process or for any independent planning commission. Larger Local Government bodies like RDAs should have limited influence, especially in small business matters where they may not have enough awareness of the details of local needs.

Convening

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

Local authorities planning departments need to start looking holistically at planning, housing and transport issues. The FSB considers that the Local Strategic Partnership model is the best way of working with local communities as it involves a wider audience.

However, the FSB would also recommend that local authority representatives work as equal partners with other members of the LSP to ensure that there is balance and accountability.

Any large-scale housing development is only advisable in areas where there are viable, or potential local employment opportunities, just as extra employment opportunities require there to be available housing and infrastructure. Housing near peripheral industrial developments also lightens the burden on transport infrastructure and is environmentally friendly, as it reduces the need for workers to travel.

The FSB believes that the planning system should also be more supportive of those who work from home, as according to the Office of National Statistics, more than 2.1 million people work from home. Any developments in planning would be well-advised to be sympathetic to the needs of small businesses as they are a key element in the future of the UK's success.

Funding

5. What would be the most effective and practical means of creating incentives for local authorities to support appropriate growth?

The more effective the LSP is in economic development, the more funding they should get. LABGI funds should be ringfenced to support the local economy and infrastructure which will benefit business. As the purpose of LABGIs is to provide an incentive for business growth, it seems appropriate and fair that the funds are used specifically for this purpose and not for unrelated issues. It would, however, be reasonable to use LABGI funds for matters which have an indirect impact on businesses such as CCTV in town centres.

6. 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?

Empty properties should pay full business rates as an incentive to encourage local business growth, with exceptions allowable for any property owner who can prove that they are doing all they can to fill the property and are delayed by means beyond their control. The FSB would recommend a simplification and deregulation process for brownfield sites, safeguarded by reasonable checks and balances to ensure that there is an appeals process to hold any proposal to account which might have a negative impact on the community. Any brownfield site which is being decontaminated should qualify for business rate relief. It would also be advisable to have grants for de-

contamination which should be funded by the regions and not the Local Authorities, as Local Authorities could not absorb the cost. This would enable brownfield sites to be put to good use and could be developed for community purposes.

END

Roger Culcheth
Chairman, Local Government Policy Committee