

## **Chairman of the Policy and Resources Committee**

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### **Promoting Economic Prosperity: Considering the Implications of Eddington, Barker and Leitch**

You might recall my letter to you early last year in response to your initial Inquiry into Local Government Funding, a copy of which is attached for ease.

I now attach our response to your specific questions on “Promoting Economic Prosperity: Considering the implications of Eddington, Barker and Leitch Reviews”. I should like to preface this with a few comments about the special nature of the City of London as a public body in promoting economic prosperity.

The City is at the heart of the UK’s international financial and related business services cluster. This cluster contributed some £22bn to the UK’s export earnings in 2005, a major share of which was generated in the Square Mile.

We see our task as maximising the international competitiveness of this cluster, not just at its heart (the Square Mile) but also in the neighbouring boroughs where much of this international activity is located and very much supported by many other business services. To this end we are dedicated to promoting business and skills in adjacent areas.

Unlike other local authorities we are very focused on the needs of our business, for the square mile houses over 350,000 jobs, compared with only 8,000 residents.

Liaison with business therefore is vital to us in doing our job. This includes:-

- Regular and systematic contacts with business (both formal and informal and at all levels from junior officers to senior elected Members) to keep abreast of commercial needs and to represent their interests national and internationally.
- An extensive overseas promotional programme by the Lord Mayor and myself as Chairman of Policy and Resources Committee with business involvement, as well as mayoral visits to other business centres in the UK.

- Research-based and other surveys of business opinion.
- Working strategically with business to ensure that:-
  - The **regulatory and fiscal environment** remains attractive by influencing UK Government and EU bodies (including representation on the Chancellor's High Level Group on City Competitiveness, and the work of our City Office in Brussels – guided by an EU Advisory Group of senior City practitioners).
  - International opportunities and challenges are grasped through establishing **City Representation** in **China** and **India**, through commissioning market research, and through a major programme of inward visits and briefings.
- Taking the lead in ensuring **physical needs** are met e.g. **planning** for an appropriate and high quality pipeline of **office development**; helping business to identify suitable **property** within the City and City fringes for relocation and expansion; and lobbying and working in partnership for the provision of adequate **utilities** and **transport** capacity for the City and inner London more generally.
- Concentrating on **skills** because the availability of skilled personnel has been identified as the most important competitive factor for an international financial services centre<sup>1</sup>. We do this through the Skilled and Learning City Forum of our **Local Strategic Partnership** (The City Together), working closely with the Financial Services Skills Council, and through our research into entry level and graduate level needs.
- Developing a **Climate Change Adaptation Strategy**.

We use our contact with business to direct our highly successful series of City Research Reports and, conversely, use this research to inform our economic development programmes.

Uniquely among local authorities we have the powers, subject to formal consultation with our businesses, to levy a premium on the national business rate. This we did in 2003 when we consulted on using the premium to initiate extra security measures in the City. We also use structured opinion polling (three yearly MORI poll) to seek business views on issues affecting the Square Mile.

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<sup>1</sup> Availability of skilled personnel was ranked number one by an international survey of of F&BS practitioners "The Competitive Position of London as a Global Financial Centre" November 2005

On top of all of this, businesses have the ultimate input into our work at Guildhall – in that they can vote in local elections for local councillors. We are the only authority to retain a business vote, because of the unique nature of the City of London. The elected Members are unpaid and the Court of Common Council is non-party political.

We at the City of London are also uniquely placed to work with neighbouring boroughs and those further afield to help ensure that the social, economic, environmental and recreational needs of Londoners are met. This all underpins the competitiveness of the City in ensuring that the wider needs of the City cluster and its workers are met.

In short, we at the City of London believe we are well equipped to promote economic prosperity in the City and beyond in a sustainable way.

There will of course always be tensions between the national, regional and local tiers of government, and you will see from our responses to your questions on the *Barker Review of Land Use Planning* that London is no exception.

In our view, the appropriate tier for decision making in planning decisions should depend on the strategic significance and spatial impact of the issues or development in question. At the national level, we agree with Kate Barker's recommendation 12 that only those schemes of national and strategic significance which are at odds with the development plan should lead to notification to the Secretary of State. At the regional level, the strategic priorities of the regional tier are already factored into planning decisions through the Regional Spatial Strategy, or Spatial Development Strategy in London. Local authorities must determine planning applications in accordance with these regional strategies as well as their own local policies, so the need for intervention by the regional planning body should be rare and only in exceptional circumstances.

In our view, the Government's current proposals to extend the Mayor of London's planning powers over strategic planning applications go well beyond this level of intervention. We are deeply concerned that they would enable the Mayor to influence many non-strategic matters and would result in a great deal of unnecessary delay, uncertainty and cost in the planning process. This could well affect our ability to ensure a supply of suitable premises particularly when needing to encourage developers to build at the wrong stage in the economic cycle without pre-lets.

**Michael Snyder**  
**Chairman of the Policy and Resources Committee**

## Appendix 1

### Lyons Inquiry – Promoting Economic Prosperity: Considering the Implications of Eddington, Barker and Leitch

#### 1. The Eddington Study

##### i) Governance

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

**Effective partnership working is already in existence and working well. Therefore there is no overriding need for new institutions to facilitate partnership working.**

The City of London Corporation already participates in some very effective voluntary partnerships with TfL, other boroughs and private sector partners which have delivered significant transport improvements including the London Bus Priority Network, the London Cycling Network and the Cross River Partnership (walking schemes and the Cross River Tram).

- *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?*

**London already has established regional government and transport authorities (GLA/TfL). New institutional arrangements are not needed but if partnerships are to be successful a fundamental behavioural change is needed so that partners are treated as equals rather than as agents. Increasing bureaucracy also needs to be streamlined (e.g BSP and LIP procedures, strategic road designations and Network Management approvals) and certain controls relaxed to avoid delays in the implementation of borough transport and highway schemes.**

Currently formal notification and permission from TfL for works on borough roads is required. Almost all highway works in the City run the risk of ‘red tape’ delays and unnecessary control over local decisions. Unfortunately, this has resulted in an overall increase the cost of schemes and there is also a potential risk to City security from not being able to rapidly implement access controls.

- *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?*

**The key outstanding mismatch over policy powers in London relates to the control and funding of national rail services. There needs to be a better alignment of national and regional responsibilities for rail services in London and the South East commuter belt and, as recommended by Eddington, a redistribution of rail funding to support investment in areas such as London which have the highest number of rail passengers and which contribute disproportionately to the national economy.**

- *How could local government make use of any new bus powers in line with its broader role in promoting economic development?*

**Unlike the rest of the country, bus services within London are already operated within a regulated environment under the control of the Mayor of London. However, greater regulatory powers for local government outside London could be beneficially used to improve bus links to rail stations and thereby improve access to jobs in central London.**

ii) 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?*

**Good transport accessibility is fundamental to the City of London's continued economic prosperity and quality of life and as a consequence should be linked to local Plans and Strategies.**

For Example key linkages are incorporated into the objectives of the City's Community Strategy and Business Plans. A corporate approach has also been adopted whereby all major transport, economic development and planning issues are coordinated to ensure an integrated approach.

iii) Funding

- *How could current funding arrangements best be reformed to support cost effective and appropriate spending and investment decisions at sub-national level?*
  - a) **a proportion of the business rate should be retained by local authorities** – this will encourage better transport investment in support of jobs and economic development;
  - b) **local authorities should continue to have access to 100% of S106 income and any regional arrangements for pooling S106 funds should be solely based on specific cross-boundary projects;**
  - c) **TfL’s borough spending plan funding needs to be far more transparent and also recognise local priorities which may not always align with TfL aspirations. The money allocated also needs to be accompanied by allied permissions** - e.g. traffic signals allocations or network management approval to ensure that schemes can proceed to implementation without undue delays.
  
- *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?*

**With the notable exception of central London, it is likely that the introduction of significant demand management schemes will require national mandatory policy as individual local authorities will not wish to risk suppressing economic activity to the benefit of adjacent competitors.**

- *Local authorities currently retain the revenues from local road pricing schemes. How might further developments in this area affect the use of those revenues?*

**Revenues from the Central London congestion charging scheme are not shared with boroughs by the strategic authority (TfL).**

## 2. Barker Review of Land Use Planning

### i) 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?*

**When a Regional Spatial Strategy, or the Spatial Development Strategy in London, is subjected to an Examination in public there should be an explicit test that the provisions of the Strategy address only strategic matters and not local issues.**

A local planning authority's Local Development Documents must be in general conformity with the Regional Spatial Strategy, or in London the Spatial Development Strategy (London Plan). This allows some flexibility for the local planning authority as the requirement is intentionally one of *general* conformity. This means a LDD can be inconsistent to some degree with one or more policies in the RSS/SDS but still be in general conformity.

However, were a RSS/SDS to include detailed policies dealing with local matters there could be direct conflicts with a local planning authority's policies and less likelihood of general conformity being achieved.

Also, given that the RSS/SDS forms part of the local planning authority's 'development plan' and planning applications must be determined in accordance with the development plan unless material considerations indicate otherwise, a RSS/SDS that contains policies addressing local issues would restrict a local planning authority's flexibility to address such issues through the planning process.

Of course, a RSS/SDS should not address local issues but Planning Policy Statement 11 advises only indirectly that this should be tested at the EIP (PPS11, para 2.49(ii)). There should be a more explicit test at the EIP that the provisions of the RSS/SDS address only strategic matters.

**Review the Secretary of State's call-in and decision-making powers on planning applications and appeals as recommended in the Barker Report (Recommendation 12)**

There have been instances in the City where the Secretary of State has called-in planning applications even though they have been in accordance with the City Corporation's planning policies and have not been of national/strategic importance. This sort of intervention adds to

uncertainty and to delay in the planning process and restricts the local planning authority's flexibility to deal with local issues.

We therefore welcome the Barker Report's recommendation that Ministerial decision-making on planning applications should be limited to those cases where there are national or wider than local spill-over effects.

We agree with the specific measures recommended by the Barker Report including:

- revising the Departure Directions so that only those proposals that are at significant odds with the core strategy of the Local Development Framework or the RSS/SDS could be considered a departure;
- that only schemes of national and strategic significance which are at odds with the development plan would be notified;
- the Secretary of State should call-in applications and recover appeals only in exceptional circumstances where significant national or wider than local issues are raised.

*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 major developments raise significant strategic issues, there can be a case for the regional planning body to intervene in the planning application decision. However, these instances should be rare given the duty on local planning authorities to determine planning applications in accordance with the RSS/SDS and for their own LDDs to be in general conformity with the RSS/SDS.**

In London, the Mayor has powers to direct local planning authorities to refuse planning applications of strategic importance. The Government is in the process of extending these powers to enable the Mayor to take over strategic applications for his own decision. In principle, there is a case for the regional tier to have such powers to intervene. As recognised in the Barker Report, the 'costs' of major schemes are often concentrated locally while the benefits are often spread more widely, so a wider field of view than the local planning authority's may be needed to make a balanced decision.

However, such intervention should only be in exceptional circumstances for major schemes of real strategic importance and should be based on sound planning reasons. These instances

should be rare given that the local planning authority must in any case determine planning applications in accordance with the development plan (unless material considerations indicate otherwise) which includes the RSS/SDS. Further, the local planning authority's own policies must be in general conformity with the RSS/SDS. So long as there is a plan-led system, strategic considerations and spill over impacts will be factored into decisions on planning applications regardless of the spatial level of the decision-making body.

**Local authorities can work effectively in partnership on plan-making and there are already in place powers to enable this. It is more problematic for local authorities to combine to make decisions on major strategic developments, but such decisions must in any case factor in strategic considerations from the RSS/SDS and so the spatial level at which they are taken should not unduly influence the outcome.**

There are powers under the Planning & Compulsory Purchase act 2004 for local planning authorities to prepare joint local development documents (S.28) or to go even further and form a Joint Committee to act as the planning authority for their combined area (S.29).

The Barker Report notes that there are examples of joint plan-making by groupings of local authorities but as yet not joint decision-taking on planning applications. This is understandable in that a local authority can more easily demonstrate to its constituents that a joint plan approach, and the aggregate impact of developments so guided over a number of years, will bring net benefits to its area. Plan-making is thus more amenable to joint working and there are powers and mechanisms in place by which local authorities can prepare a joint planning document voluntarily or at the behest of the regional planning body. For example, the City is working with the GLA and four neighbouring boroughs on a planning framework for the City Fringe area. This sort of joint working is not so easily achieved when making decisions on planning applications; the disbenefits of a particular major development may well be concentrated in one local authority's area.

However, and as discussed above, planning applications must be determined in accordance with the development plan which includes the strategic policies of the RSS/SDS, and, further, the local authority's own planning policies must be in general conformity with the RSS/SDS. The spatial level of the decision-making body should therefore not unduly influence the decision and there are procedural checks and balances, including the appeals system and call-in powers, to ensure this is the case.

Given the powers and mechanisms for joint working already available and the duty for strategic matters to be factored into plans and planning decisions, there does not seem to be a need for new or reformed institutions.

*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?*

**Local authorities should make the case for their local areas and act as a communication channel between their communities and the IPC.**

The proposed independent Planning Commission would take decisions on major applications for energy, transport, waste and water infrastructure. Decisions would be based on National Statements of Strategic Objectives for these types of infrastructure, along with the relevant RSS/SDS and Local Development Documents. The RSS/SDS and the LDDs should themselves reflect the National Statements including where regional facilities are needed. The IPC would make decisions after a public inquiry and full community consultation.

In this context, local authorities should:-

- be fully involved and represent their communities in the formulation of the RSS/SDS
- within the framework of the RSS/SDS make the case for their area and act as a communication channel for their communities to the IPC

ii) Convening

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

**Linking work within a local authority on planning, housing and transport issues will be most effectively achieved if it has a fundamental culture of corporate working.**

A corporate approach needs to pervade day to day working and longer term strategy formulation. How this is achieved and manifests itself will vary greatly between local authorities but will be reflected, for example, in: how the local authority formulates its corporate strategy; the organisational structure; formal and informal interdepartmental working arrangements; communication mechanisms; and Member decision-making structures. It would not be appropriate to prescribe these sorts of organisational arrangements because of the great variety of local authorities and circumstances. However, evidence of corporate working is tested through Comprehensive Performance Assessment and this seems the

appropriate means of ensuring that the local authority's work on planning, housing and transport issues is linked most effectively.

Particularly important focuses for linking work on planning, housing and transport, as well as other issues, will be the local authority's Local Development Framework and the Community Strategy for its area.

Linking work between local authorities on planning, housing and transport issues will be most effectively achieved where there are joint working arrangements that have the commitment of the local authorities concerned. The regional planning, transport and housing bodies clearly have important roles in engendering joint working between local authorities where there are issues that need to be addressed through a regional or sub-regional approach. However, a top-down basis by the regional tier risks ineffective working if there is not support from the local authorities involved.

By way of illustration, in London, the Mayor has delineated in his *Draft Further Alterations to the London Plan* five sub-regions based on borough boundaries. A Development Framework will be produced for each sub-region linking, amongst other things, planning, housing and transport issues. However, there is deep disquiet amongst many boroughs about the purposes and boundaries of the sub-regions, not least that there is no sub-region for Central London. There is unlikely to be effective joint working between local authorities based on such an enforced structure based on administrative areas. In contrast there is effective joint working between local authorities on functional areas such as the City Fringe, as referred to above. The City Fringe Partnership arose out of recognition amongst its five local authority and many other public and private sector partners that there were planning, housing, transport and other regeneration issues facing the area that would benefit from a joint approach. This bottom-up foundation has meant that the Mayor's proposal for a planning framework for the area has been met favourably by the local authorities and productive joint working is taking place.

### iii) Funding

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

**The most effective and practical means of creating incentives for local authorities to support appropriate growth are as follows:-**

- a) a proportion of the business rate should be retained by local authorities;**
- b) local authorities should continue to have access to 100% of S106 income; and**

- c) **Local Authority Business Growth Incentive income should be simplified and thresholds lowered.**

### 3. **The Leitch Review of Skills**

#### i) 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?*

**Local authorities can relate most effectively to a reformed LSC on 14-19 issues by providing their knowledge of the education and skills levels and needs of local residents and also in providing local knowledge of business sectors in the area. Local authorities might for example be able to inform the work of the Sector Skills Councils (SSCs) re the new diplomas.**

#### ii) Convening

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

**Employment and skills provision by LSCs and SSCs need to link in with other skills, employment and business support programmes of the Regional Development Agencies and local authorities. Links should be made with skills development programmes for particular groups e.g. people with disabilities. Our contact with local further education colleges can ensure they effectively support the new universal adult careers service and play a greater role in integrating basic skills training within the benefit system. Links should also be made with skills development programmes for particular groups eg people with disabilities.**

*What role should local authorities play in a new demand-led skills system?*

**The role of local authorities should be to bring to bear their knowledge of the local students/labour market, to bring knowledge of the business sectors in their area, and to provide information about other related programmes (whether run by the RDA /local authority/other agencies), to provide good practice examples and reduce the risk of duplication of programmes.**

*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?*

**In London, "London Councils" should be the interface with the Employment and Skills Board in providing the conduit for information from the ES Board to the individual London boroughs and facilitating an exchange of views between the Board and the London boroughs.**

iii) Funding

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

**The report recommends routing all adult vocational skills public funding through Train to Gain and Learner Accounts by 2010 apart from Community Learning. This will put more purchasing power in the hands of customers and reduce provision directly contracted by us as a local authority. Community Learning will still create core local authority funding and the move to a market type approach to skills training may benefit the City financially**