

LYONS INQUIRY

19 January 2007

Introduction

1. The following is a submission prepared by the Association of North East Councils, the representative body for the 25 local authorities in the North East region, to Sir Michael Lyons' recent questions about the Eddington Transport Study, the Barker Review of Land Use Planning and the Leitch Review of skills and the issues raised by these about the powers and responsibilities of local authorities and about sub-national economic development.
2. The Association's response builds on those already submitted, the response it submitted to the sub-national review of economic development and finally the emerging propositions at sub-regional level around city regions, the development of MAAs and LAAs.

Questions

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?***
3. Authorities in the North East have welcomed the useful first steps towards decentralisation and deregulation set out in the White Paper. This is very much in keeping with authorities' ambitions in the North East region, who are keen to take an holistic approach to place shaping and to achieving economic prosperity and in so doing be clear about what is to be delivered at different spatial levels – reflecting, amongst other things, the different kinds of place and also the linkages and differences between urban and rural and between different parts of the country. We very much consider that one size policies do not necessarily fit all and Barker, Eddington and Leitch need to be evaluated by the Government with this very much in mind. A 'permissive' approach

needs to be taken in relation to all 3 reviews which local government is both trusted and empowered and cognizance had of the emerging new policy and strategic approaches being set out in city/sub-regional propositions, amongst other things.

4. This will be important in terms of building a sense of ownership in localities. Local government is closest to understanding the local needs, preferences and aspirations of citizens, and carries with it the weight of democratic legitimacy and accountability. The Government therefore should evaluate these national reviews (and any subsequent legislation) in the context of the shared ambitions for local government and the central role envisaged for it in the Local Government White Paper and the emerging discussions as indicated above.
5. We have been pressing the case for devolutionary way forward which is both bold and sustainable, moving away from a piecemeal approach to local government's role, functions and funding and building on new thinking that is beginning to emerge in the region enabling innovative approaches to public service delivery, economic prosperity and better outcomes for citizens and communities. This would involve consolidating and building on existing powers authorities currently enjoy, devolving further powers in some areas (see below) and utilising authorities' ability to convene, facilitate and make things happen, underpinned by their democratic accountability, at the same time ensuring that other agencies of government work with authorities to ensure that investment can be targeted and maximised where it is most needed.

A differentiated approach

6. The acknowledgement of the central role for authorities in 'place shaping' and building economic prosperity has been widely welcomed in the region. Economic development is best pursued in the round, including having regard to 'infrastructure' issues which are fundamental foundations for such prosperity such as transport, planning, housing, education. Given their responsibilities in these and other areas, allied to their democratic accountability, local authorities are of course ideally placed to play a key role. ***The local government sector is also a major employer in its own right, providing and promoting employment opportunities across a range of services.*** Some aspects of these issues are best handled at different spatial levels but at all levels, authorities should have a key role in driving things forward if they are to achieve the accelerated pace of change desired by both authorities in the North East and the Government and to ensure democratic accountability throughout. There are many examples of collaboration and partnership by the local government sector, which demonstrate that local government in the North East is ambitious, innovative, entrepreneurial and creative, and capable of delivering major change and improving quality of life. Partnerships such as the Newcastle- Gateshead Initiative, the Stockton- Middlesbrough Initiative, Northumberland Strategic Partnership and County Durham Economic Development Partnership, amongst others.
7. The 'tools' currently on offer to local government to pursue economic prosperity (including LAAs, MAAs, City Development Companies) are helpful and a good step forward, appearing to be couched in a way which enables differentiated approaches to be developed to meet the needs of citizens and

communities (whether they are between localities, city/sub-regions, regions, across the country as a whole or between urban, semi rural and rural areas). This flexibility plus the permissive nature of the white paper is welcomed.

8. These tools need to be supported by sufficient powers and resources and authorities are already aligning funding and pooling (some) budgets. But further investment across the public sector, maximising the funding available and looking at new sources will be important for the success of the new approaches and we would urge the Government to both encourage others to participate in this and to work with us on ensuring success.
9. The differentiated approach being developed in the region (city/sub-regions, for example) is one which we consider represents an effective way forward for the future acceleration of change. These developments are in keeping with the convening, facilitating and democratic roles of authorities.
10. We would want to ensure that CLG's clear ambitions for devolution to local authorities to assist in their place shaping, economic development role are followed through in a positive outcome to the sub-national review of economic development.
11. In terms of the detail, as mentioned above, the introduction of a duty to co-operate is a good step forward. **The exclusion of NHS Foundation trusts and NHS Health trusts is a regrettable omission in the context of developing a holistic approach to building sustainable and prosperous communities, but** the new approach being promoted by the Government is clearly moving in the right direction.
12. For example, the **duty on RDAs to co-operate consolidates a working arrangement which has been developing particularly in recent months in the region.** Amongst other things, this should assist in enabling localities and city/sub-regional organisations to work with RDAs to maximise single pot, European funding and investment in a way which meets the needs of particular localities, particularly as these differ across the region in many ways. For example, the economic needs of the Tees Valley are very different from those of Tyne and Wear in a range of areas. And furthermore, the specific needs of semi rural and rural areas are different again. Organisations such as the RDAs, the LSC and others need to work closely with local government and partners to ensure that there is a more joined up approach to public sector investment across a range of areas which are currently to a large extent outside their influence.
13. Building on the need for differentiated approaches to economic issues, in broad terms, the proposals for **city/city region development companies are in concert with emerging propositions in the North East but deal only with CLG functions thus following Government funding silos. We would urge Government to look critically at this,** so that where there may be local agreement to create a city region development company, appropriate aspects of wider agendas such as skills/employability and transport can be incorporated if there is local agreement to do so.

14. We would also urge the Government **not to impose a 'regulatory approach' to city/city region development companies** by setting key criteria and principles along the lines of URCs, particularly on governance and core activities as this could stultify innovative approaches and the development of local solutions.
15. In addition to the above, in previous responses, we have flagged up the need for greater alignment and co-ordination at national level of capital financing. Currently, local authorities are expected to co-ordinate the financing of physical infrastructure, which can be critical to enabling and supporting economic growth. This is made much more difficult because of government departments (DfES, DH, Home Office etc) have different programmes which work on different timescales and with a range of different funding models. This needs tackling to assist authorities in their place shaping role.

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 institutions 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 economic role?**

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 would current funding arrangements be best 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?**

Governance

16. ***Improving transport and connectivity are key priorities for local government*** in the North East, and, we consider, fundamental to the future

economic prosperity of the North East region. Transport connections serving both urban and rural areas are fundamental to the creation of sustainable communities where people want to live and work. Improving transport connectivity is also crucial if the North East is to contribute effectively to helping to reduce the £30 billion productivity gap between the North and the rest of the country. Ambitions for change and development have been articulated in, for example, the Association's current manifesto, and elsewhere.

17. Local authorities' ability to work in partnership has been demonstrated in a range of ways over a number of years. Most recently, at a strategic level, the input of Members into the Regional Funding Allocations process through the Interim Regional Transport Board has demonstrated their ability to take strategic decisions across a much wider spatial area than their own localities.
18. Given that we have completed one 'cycle' of the RFA process, in the light of the Eddington Review and the local government Bill, we consider that we ought to review and reflect on the way forward on transport.
19. In localities, authorities in some areas are already working together in partnership around TIF for example. PTAs/PTEs are an expression of more formal arrangements around a particular agenda in cities and metropolitan areas and there are of course proposals for reform which we believe need to be considered in the context of the city region discussions (below).
20. Given its fundamental role in economic and social prosperity, authorities in the North East have, in recent months, been looking at transport in the context of what needs to happen at different spatial levels and how arrangements reflecting the 'fuzzy boundaries' of economic activity, work and living patterns might be consolidated and developed to greater effect to accelerate the pace of change. The city/sub regions in the North East consider transport a key facet in developing new and more effective approaches and the cases for taking things forward around this have been articulated separately.
21. Through the emerging city/sub-regions approaches and allied to an innovative approach to transport at the regional level which supports and reflects needs and strategies defined in localities and at the city/sub-regional level (see below), we believe that we can ensure that transport is aligned with other policy powers available to the public and private sectors. This will require the Government to empower authorities and their groupings appropriately.
22. At the regional level, if there is to be a further iteration of the RFA process, we consider that authorities should continue to play a key role in shaping the way forward and that it is time to look at the level of transport expertise required, reflecting of course the new emerging approaches being developed at city/sub-regional level. How transport in the round is handled at the regional level needs full consideration.
23. Transport is of such importance to so many organisations and to citizens and communities in the region that there is a clear political commitment to doing things in new and different ways at all spatial levels.
24. One of the features of the IRTB process in the North East has been its ability to give a sense of mutual responsibility for its outcomes and has signalled at

least the start of aligning transport with policy powers (and resources) across a number of organisations including RDAs, the NEA's spatial planning role, the role of local authorities and the needs of the business community. Any future Transport Board might be best developed on this model and served by a group of experts with the relevant technical capacity, able to clearly reflect a strategic approach and the approaches being developed at city/sub-regional level and locally. Appropriate lines of accountability would need to be designed, taking into account the role of authorities.

25. In terms of bus powers, local government has long argued for re-regulation and the emerging new proposals are welcome. These should very much support authorities 'place shaping' role and better enable local government to ensure connectivity between people, places, employment and learning opportunities, all of which contribute to the promotion of economic development. Currently, for example, the LSC, the Association, GONE, ONE, NEXUS are exploring the feasibility of a region-wide travel scheme for young learners.

Convening

26. There is a clear willingness amongst authorities in the region to maximise the links between transport and other elements of economic development and quality of life through full utilisation of the emerging new mechanisms (LAAs, MAAs, city development companies and new city/sub-region approaches). We will need to consider also the full implications of the Stern Report into climate change and determine how environmental factors can be factored into decision-making in relation to transport schemes. As things develop, we would ask the Government to work with authorities and their emerging collaborative mechanisms on enabling this as it is clearly in the Government's interest to do so – being an issue which would assist in meeting a range of government objectives including the employability agenda.

Funding

27. At the regional level, rail investment should be brought into the RFA process. The absence of funding for rail, as part of the first round of RFA, was regarded as a missed opportunity in helping the region to adopt a more holistic approach to improving transport and connectivity.
28. TIF should be handled below the regional level and authorities should be enabled, where it is appropriate for them to do so, to work collaboratively through, for example city/sub-regional approaches.
29. Authorities recognise the importance of demand management and at the same time are cognisant of the needs of their local economies, with business and others. TIF has and is encouraging the development of approaches to this and should be continued. In terms of revenue accrued from, for example, road pricing schemes, authorities understand the arguments that this could be used for further investment. However, in the North East, issues of congestion and demand management are different from those in other parts of the country and this different paradigm needs to be kept in mind in terms of the availability of future resource for transport investment.

30. We would also argue that future resource allocation processes for transport should not simply be allocated on the basis of population but of economic and social need. This ought to be reflected in all aspects of the transport allocation process and furthermore, the Government needs to continue to invest in accessibility, local and environmental goals.

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 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 systems? Would any local flexibility on such measures be desirable?**

Governance

31. In terms of local planning issues, replacing the test of 'need' for development with the test of "competitiveness" in relation to town centres is not thought through and the detail is unclear. Town centres are in many areas drivers of the local economy and service provision and are accessible. Any change which potentially undermines them could cause difficulties.
32. In terms of strategic decisions, authorities work together through the NEA to consider the regional spatial needs of the North East as a whole. It would be unproductive to rehearse again the implications of the creation of an elected regional assembly had there been a 'yes' vote in a referendum in this respect. Given the landscape in which we are operating, for the future, we need to work with Government on tackling some of the knotty issues (such as housing) where there have been differences of view.
33. At city/sub-regional level, some of the emerging propositions (eg: Tees Valley) are seeking to build on existing arrangements and are creating planning and economic development boards as part of their propositions (see below).
34. In terms of the role of authorities in relation to an independent planning commission some aspects of the proposals in relation to major infrastructure projects (transport, energy and waste) could result in local councils and the communities they represent, being excluded from key decision making. The Government must develop clear national policy on major infrastructure projects if it is to remove them from local planning control. This must include statements on consultation arrangements.

Convening

35. Authorities are keen to creatively utilise their convening role in localities and across 'fuzzy boundaries' to draw together planning, housing and transport (and other) issues, using the tools available to them and to look at solutions where there are different responsibilities between councils.
36. At the city/sub-regional level, emerging propositions around the city regions agenda envisage new approaches. The Tees Valley City Region Business case articulates a proposal for the establishment of a planning and economic development board as part of the Governance arrangements, which would, amongst other things, co-ordinate the input of the city region into the RSS, the RES, Northern Way etc. There would also be a transport board, a skills board, a housing board and a tourism board which would feed into a leadership board to draw the different strands together.
37. At the regional level, in strategic terms, the NEA brings together planning, housing and transport through the RSS and through its role in convening the Regional Housing Board.

Funding

38. We would not support any aggregation up to regional level of further funding related to planning (eg: Planning Gain Supplement).

Leitch Review of Skills

Governance

- **With their new strategic leadership role, how can authorities relate most effectively to a reformed LSC on 14-19 education issues? What are the merits of the different options for managing the divisions 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 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?**

Governance

39. In their strategic leadership role, local authorities, working with partners including LSCs, have a significant contribution to make to the wider employment and skills agenda, including 14-19 reforms. They have a clear understanding of educational and employment challenges for the future in their localities, sub-regions and regionally and in the North East are working at those different levels to address those challenges (which, of course differ both between regions and within the region).
40. In Northumberland, for example, through existing partnerships supported by Connexions, LSC, Childrens Services and regeneration partners (the Northumberland Strategic Partnership, One NorthEast and local authorities) there is co-ordinated working on a range of areas building on the Children and Young People Plan (which is a partnership based agreement developed by the Northumberland Families and Childrens Trust (FACT)) and reflecting the challenges set in the Regional Economic Strategy, including the 14-19 reforms, language skills, on science and technology, careers and aspirations and on developing skills, qualities and attributes in young people, going, in some respects further than the Leitch report by ensuring that they are widening options recognising that they are preparing young people for a career that will include a portfolio of different jobs.

41. This kind of approach, also being proposed at city regional level through the emerging city region propositions, needs to be supported and developed as a flexible response to the needs of localities. The business case for the Tees Valley City Region, for example, proposes the creation of a Skills Strategy (supported in Governance terms through the creation of a Skills Board), identifying the specific skills needs of the Tees Valley economy, in addition to seeking to tackle the issue of employability and supported in resource terms by the LSC and, potentially others including the RDA. In Tyne and Wear a similar approach is being taken through their city region discussions. This bespoke differentiated approach will be critical in future and will we believe undoubtedly contribute to the overarching aims of the Government.
42. The LSC's duty to co-operate in relation to LAAs, MAAs and other emerging mechanisms will be extremely important in this regard. Its reorganisation in localities (co-located with LAs in some instances) with a small strategic regional body is helpful.
43. The concept of Employment and Skills Boards needs to be considered in the context of these developments and some joining up achieved at the right spatial levels before new structures are created. Local authorities' convening and strategic leadership roles should place them at the heart of this.
44. Through the leadership and convening mechanisms proposed in the LG White Paper and emerging propositions, LAs, the LSC and others should work together to improve flexibility to respond to employer needs e.g. through the use of research capacity and relationships with key local employers in to identify emerging market trends.
45. This can be achieved without risking the pitfalls identified by Leitch in developing an overly planned and inflexible system of provision. For example, partners in the North East are currently considering how the region might respond to the potential skills deficit in construction that may be faced by the construction demands of the Olympic Games, in recognition of the need to plan responsively to future market changes.

Convening

46. See above.
47. In addition, authorities should continue to use their ability as employers to encourage skills development within their own workforces. They could also be encouraged to support the growth in the number of apprenticeships available, both through service procurement processes and within the public and local government sector itself.

Funding

48. Authorities have been working hard to ensure that education remains a central focus and have been seeking to use their wider role in influencing things, working with schools and others (despite the constraints of passporting).

49. The degree of inflexibility in LSC funding around its need to meet national targets remains a persistent challenge in a region where there are different skills needs within it. Authorities are having to look to other agencies (eg: RDAs to support bespoke work to develop particular needs (eg: higher level skills development in the Tees Valley around the key industries based there). A greater degree of flexibility for LSC funding, in the context of their contribution to new ways of working in localities and at city/sub-regional as well as regional level would be welcome, particularly as funding for authorities is likely to continue to be squeezed and there remains much more to be done.
50. Furthermore, authorities have been pressing for greater longer term security in discretionary funding streams to support, for example, the employability agenda.