



THE BRITISH
CHAMBERS OF
COMMERCE

Lyons Inquiry into Local Government
Promoting economic prosperity: considering the
implications of Eddington, Barker and Leitch

Response from the British Chambers of Commerce

January 2007

About the British Chambers of Commerce

The British Chambers of Commerce (BCC) is the national voice of local business; a national network of quality-accredited Chambers of Commerce, uniquely positioned at the heart of every business community in the UK. The BCC represents 100,000 businesses of all sizes across all sectors of the economy who together employ over 5 million people.

General remarks

A general concern raised by businesses is how many of the recommendations in the Eddington, Barker and Leitch Reviews, which are essentially national-level solutions, will fit with the moves towards greater local freedom and a degree of devolution, as suggested by the Lyons Inquiry to date and the Local Government White Paper *Strong and prosperous communities*.

A specific example of where the three reports do not fit easily with a renewed emphasis on local flexibility is in the Eddington Review's proposal for a national system of road pricing. A one-size-fits-all system is the most pragmatic and workable approach, but risks disadvantaging some local economies.

Similarly, the proposal for an Independent Planning Commission points towards a national level solution to delays and inefficiencies in the planning system which, although welcome to many businesses, begs the question of what powers Local Authorities will have in respect to planning and how they will work with the Commission in practice.

There are still no effective connected strategic spending plans across the areas covered by the reports and this needs to be established if their recommendations are to form a connected whole with the Lyons Inquiry.

Do Local Authorities have the powers they need to promote economic prosperity?

Views on whether Local Authorities have the powers they need to promote economic prosperity are varied and responses depend very much on whether Local Authorities in a particular area work effectively with neighbouring authorities and with their business communities. In many instances, businesses feel that Local Authorities do have the powers but not always enough of an inclination to promote economic development and make it a priority.

In some areas, there is concern that whilst Local Authorities work well together through voluntary agreements, as in Greater Manchester, the individual authorities do

not have the freedom to make decisions on, for example, transport infrastructure and this hinders their ability to use their other economic development powers.

How might the implications of the reviews and their recommendations vary between different parts of the country and different kinds of places, for example between rural and major cities?

Many of the Reviews' recommendations relate more to urban centres and city-regions where, for example, travel to work areas encompass several Local Authorities and more journeys to work will involve crossing a number of authority boundaries. The recommendations of the Barker Review appear to relate to city-regional level at the smallest geographic level, if not sub-regional. Similarly the recommendations of the Leitch Review are not really within the scope of individual Local Authorities but instead cover wider areas and employees may be skilled up who live in one area but work in another area, necessitating cross-boundary working.

Eddington Transport Study

Governance

Extended Local Area Agreements (LAAs) or economic partnerships along the lines of the Multi-Area Agreements proposed in the Local Government White Paper *Strong and prosperous communities* could be mechanisms through which Local Authorities work in partnership to deliver transport outcomes and ensure that transport is aligned with other local priorities. However they would have to have strong business engagement and consultation as this is key to successful economic development.

These partnerships have their challenges, not least how effectively Local Strategic Partnerships (LSPs) bring together the different sectors and priorities, but where they work well or can be reformed, could provide a model to be extended across political boundaries and avert the need for additional local partnerships. Strong economic partnerships, in particular, should be used in the local level implementation of the Eddington Report's recommendations.

Where partnerships are not working effectively, reforms should be implemented. Only if this cannot be done effectively, should new institutions be established. This could be the case in, for example, a sub-region such as West Yorkshire where a number of Local Authorities jointly submit a plan as the basis for their annual transport funding allocation but in practice the funding is divided between the Local Authorities, resulting in very little cross-boundary co-operation.

To ensure that the Eddington recommendations are aligned with other economic development initiatives, Local Authorities and their private and public sector partners need to work closely with special purpose vehicles such as City Development Companies. These vehicles could have a strengthened duty to consider transport provision in any development that is within their remit.

In some areas, for example the North East, there are persuasive arguments for a single Passenger Transport Authority/Executive but where regions or sub-regions have good cross-boundary co-operation, existing mechanisms should be utilised in favour of establishing new institutions.

There was extensive support for regulating bus services and co-ordinating services across boundaries. There was also hope expressed that a more joined-up approach could be extended to rail services.

Convening

Local Authorities are in a good position to play a convening role with respect to transport, through existing economic partnerships such as LSPs and LAAs, and to tie transport into wider economic planning. For local businesses this is key and linking all aspects of economic development would be welcomed. LSPs and LAAs must, however, work with the private sector to benefit from their expertise and increase the likelihood of transport provision meeting the future needs of businesses and the local economy as a whole.

Transport strategies should be integrated into Regional Economic Strategies and planning guidance to maximize the chance of successful, coordinated economic development and delivery on recommendations made in the Eddington Review. This requires Local Authorities to be better linked into their Regional Development Agencies and vice-versa, as well as each institution engaging businesses.

Funding

Reform to the current system of transport funding is necessary, in particular reviewing the effectiveness of the Regional Transport Boards and whether they are funded sufficiently to undertake the projects that fall within their remit. Some routes fall within their scope because they are not routes of national importance, yet in terms of investment are far larger than the regional funding allocation would allow.

Local Authorities are increasingly working in conjunction with other Local Authorities on transport provision, but there is no formalised funding to support this. As city-region partnerships and other cross-boundary groupings emerge, there may be a need to ensure funding streams reflect this.

For businesses, and possibly Local Authorities, demand management in the form of road pricing would be more readily accepted if there were a clear, visible return on the money paid in the form of new transport infrastructure. With hypothecation of the funds raised, there will need to be transparency as to how the money is then allocated between transport projects of national, regional and local importance.

Barker Review into Land-Use Planning

Governance

Local Authorities need to provide stronger leadership and give businesses certainty on planning submissions of local importance. Certainty is crucial for businesses to allow for their own planning and growth.

LSPs and LAAs provide the mechanisms for Local Authorities to take strategic decisions on planning. There is evidence that Local Authorities can and do work reasonably effectively across wider areas, for example in recent city-region submissions in the West Midlands and North East. There is also government guidance to LSPs which should be the forum for integrating planning and economic development.

There is still a need for far better engagement with the business community and this will become that much more important if Local Authorities are going to ensure local priorities are factored into the decision-making of the Independent Planning Commission proposed in the Barker Review.

The only new mechanism that might be needed would be Multi-Area Agreements or an equivalent where planning powers are given to city-regions so that the spatial and political boundaries are coterminous.

If an Independent Planning Commission is to go ahead, there must be greater clarity than currently about what constitutes local, rather than national or regional importance and therefore who can intervene in the planning application process. There needs to be certainty that an Independent Planning Commission will strike a better balance between valid local issues, regional concerns and national importance than the current set-up. Regional Assemblies, were they democratically accountable, enjoyed greater public confidence and had stronger planning powers, might be able to perform this role instead for regional, sub-regional and local planning applications. Alternatively new city-regional groupings could undertake this role for sub-regions.

As was highlighted in the Barker Review, the Highways Agency's use of Article 14 notices can have negative consequences on economic development. In the North East, for example, the impact of Highways Agency decisions cost the region £1 billion and 10,000 jobs. Since the 'Go For Jobs' campaign led by the North East Chamber of Commerce and subsequent relaxation in the use of Article 14, 12,000 jobs have been created in the region. Local Authorities need to work with agencies such as the Highways Agency to allow for economic growth and investment and thereby avoid late use of Article 14 powers.

Convening

A reduction in central targets would give Local Authorities and their partners from all sectors greater flexibility, which in turn would help force an improvement in local government and civic leadership. If Local Authorities were given flexibility on budgets they could develop the regional funding allocation process, working more closely across boundaries on transport, planning and skills issues which concern the wider area.

Funding

In contrast to the Barker Review's recommendations, there is no support for a Planning Gain Supplement amongst the business community. It would be an extra tax on businesses and an added burden at a time when the Government is purportedly looking to reduce burdens on business.

Business rate relief on empty properties might work but has to be seen to be fair. There is, however, some opposition to this from the business community who regard it as contravening the free market.

The Local Authority Business Growth Incentive (LABGI) Scheme is one which businesses support on balance and want to see the extension of, in preference to relocalisation of the business rate. If it were simplified, however, that might help

incentivise Local Authorities to support growth and if it were ring-fenced for transport and economic development, would increase support within the business community for LABGI.

The business community's opposition to relocalisation of the business rate is well-known and we remain opposed to relocalisation, on the grounds that it will only lead to higher business rates without accountability and is no guarantee of improved value for money. Already, businesses contribute substantially to many services which are not of direct relevance to businesses whilst economic development is often not prioritized by Local Authorities.

Leitch Review of Skills

Governance

In the area of skills, there are a number of options for the role of Local Authorities in the new structure as outlined by Leitch. On the one hand Local Authorities could provide accountability for Employment and Skills Boards or on the other they could have a collaborative role, working as part of the Employment and Skills Board, which would be accountable to another sub-regional or regional body.

There must be strong employer involvement in order to ensure that the skills supply meets the needs of the business community and the local economy. The Boards could be chaired by the private sector but must work closely with, or indeed be accountable to, elected local political leaders.

On the issue of 14-19 education, Local Authorities have a central role to play under the new diploma structure which will incorporate learning in school, college and the workplace.

Convening

The education and employment systems must be joined up and in this Local Authorities have a role to play. All initiatives and agencies with a role in education and employment need to be linked, including: schools and colleges; school and adult careers advice; Learning & Skills Councils; welfare to work schemes; JobCentre Plus; business support on education and skills schemes; and Train to Gain.

In any new demand-led skills system, Local Authorities can play an important role, along with other key stakeholders, in advising the Employment & Skills Boards on skills priorities.

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