

## **Lyons Inquiry into Local Government**

### **Promoting economic prosperity: considering the implications of Eddington, Barker and Leitch**

#### **Submission by Milton Keynes Council**

**January 2007**

#### **1. Overall**

##### **Place-Shaping**

- 1.1. Milton Keynes Council would contend that as a major growth area identified by the Government, the local authority by itself does not have sufficient powers to effectively undertake a place-shaping function, but it has used partnership models to ensure that that place shaping role can take place. We would argue that the Milton Keynes Community Strategy illustrates this key place making strength.
- 1.2. In order to properly pursue a place-shaping agenda, local authorities need to be provided with:
  - Sufficient skills to realise the benefits of this role to the community
  - Access to longer term funding for infrastructure
  - New, innovative models of delivery
  - Opportunities and space to create new structures to meet specific community needs
- 1.3. As an example, the Council and its strategic partner for coordinating growth, the Milton Keynes Partnership, has instigated new methods of funding infrastructure requirements through a 'roof tariff.' This proposal is currently being considered by the Government, but could be jeopardised by the Government's desire to introduce a more uniform Planning Gain Supplement. Such local initiatives must not be stifled by the Government's desire to introduce England-wide measures, especially when local authorities are dealing with exceptional circumstances, such as very high growth rates.

## **2. Issues raised by the three reviews and the implications for Milton Keynes**

### **Eddington**

- 2.1. The Eddington Study's primary recommendation was that transport investment should be focused on three priority areas:
  - congested and growing city catchments;
  - the key interurban corridors; and
  - the key international gateways that are showing signs of increasing congestion and unreliability.
- 2.2. It is important that investment in transport is targeted not just on major cities but also on areas that are identified for major growth - The Government's Sustainable Communities Plan (2003) has planned growth for Milton Keynes up to 2031 of 71,000 additional dwellings to accommodate 340,000 people. In doing so, Milton Keynes will become the biggest city in the south east outside of London, and comparable in size to Cardiff and Belfast.
- 2.3. Transport infrastructure around Milton Keynes (e.g. West Coast Main Line and M1) should not constrain both population and economic growth in Milton Keynes and the South East. Milton Keynes Council believes it is imperative that ambitious housing and population growth can only be delivered alongside improvements in transport infrastructure, in order to make that growth sustainable.
- 2.4. The total cost of delivering the infrastructure needed to facilitate growth up to 2016 was calculated in 2004 as £1.67bn and to deliver growth up to 2031 as £3.1bn. Milton Keynes Council has worked in partnership with English Partnerships to develop an innovative tariff-based solution to the funding issue. The Milton Keynes Tariff extends contributions from developers to help cover the cost of infrastructure, but the tariff only funds 17% of the total public infrastructure cost. Supplementary resources are therefore necessary. MKC are seeking with the Government a fair and reasonable way of making up this funding gap.

### **Leitch Review**

- 2.5. The Leitch Review of Skills advocates a move towards a demand-led form of provision of Further and Higher Education, taking in to account the changing demographic patterns nationally. Such a proposal has merits, but fails to properly take into account the particular needs of high growth areas.
- 2.6. Milton Keynes, for example, requires a dedicated HE facility, but has not had a sufficient population until recently to justify such a resource. It is important that such infrastructure projects can go ahead on the basis of future projected economic and population growth.
- 2.7. The council however is cautious that a purely demand led approach to education might run counter to the achievement of long-term and ambitious strategic visions for an area. For example, Milton Keynes Council supports the Oxford-Cambridge Arc<sup>1</sup>, which is a long-term strategy to develop knowledge based industry generated through the internationally acclaimed Universities in this arc. We do not believe that the new approach to skills provision outlined in Leitch should jeopardize local plans

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<sup>1</sup> Which should be supported by investment in reopening the Oxford-Bedford-Cambridge rail link

to transform an area's economic base. Government should provide areas with the tools to pursue innovative and locally tailored solutions developed with all sectors of the local community.

- 2.8. As discussed above Milton Keynes is atypical in the rate and extent of its population growth. The Learning and Skills Council's further education funding, as with other Government funding received by Milton Keynes, does not adequately take account of this unusually high growth. At the moment there is a much higher demand on these services than the funding permits. Funding has not kept pace with changes in the demography and in many cases it has fallen dramatically.

### **Barker Review**

- 2.9. One of Milton Keynes Council's key concerns is that a link between the area where the Planning Gain Supplement is raised and its expenditure is maintained. A central premise of the Government has been that the reform of the planning contributions system is necessary to generate transparency. Such a point also applies to the recycling of funds to the local area from where they originated: The return of all revenues locally is the most transparent solution. In stark contrast, the capturing and disbursement arrangements are very likely be bureaucratic and unclear.

- 2.10. The aim of reforming planning contributions to support growth in particular areas requires a guarantee that all revenues will be locally hypothecated. The guarantee is necessary to ensure:

- ongoing community support for development;
- certainty about infrastructure provision; and
- transparency.
  
- Failure to return all revenues will:
  - create uncertainty about the provision of infrastructure;
  - will hinder the speed of growth; and
  - frustrate local commitment to growth.

- 2.11. In contrast, local control over planning contributions will mean that service providers are able to progress related infrastructure development in a way that meets local need.

### **3. Eddington Transport Study**

#### **Governance**

3.1. Milton Keynes is an active member of the Milton Keynes South Midlands Inter-Regional Board (IRB). The IRB has a strong focus on transport requirements for the sub-region and supports the retention and creation of local delivery bodies to co-ordinate, fund and deliver transport infrastructure at a sub-regional level. Milton Keynes Council has constantly adopted a pro-active attitude to such partnerships, recognising that Milton Keynes' views may not be identical to those of neighbouring Councils. It is vital that transport policy is aligned with other strategic policy issues, as it has such a strong bearing on spatial planning. This is reflected in the priorities and action plan for the MKSM Sub-region.

#### **Funding**

- 3.2. Funding should be sufficient to meet the needs of a region to grow economically. Local authorities, whether operating solely or in partnership, require access to longer term funding arrangements in order to deliver infrastructure to meet the expectations and needs of the private sector. Current funding constraints are creating difficulties in delivering transport infrastructure to meet the future needs of high growth towns and cities, such as Milton Keynes, and potentially stifling economic growth.
- 3.3. Current funding arrangements do not currently meet the full revenue and capital costs of infrastructure provision, which is needed to allow for the expansion of the City in accordance with the growth agenda. This lack of forward funding places the Council under a significant financial burden.
- 3.4. Coupled with this issue is the need to finance the repair and maintenance of ageing infrastructure, a factor which is common to all new towns where facilities are now at an age where significant investment is required. For Milton Keynes, these pressures are augmented by the need to ensure that the current infrastructure is adequate to support the new infrastructure that is required by the growth agenda.
- 3.5. Clear and transparent investment plans are required to match the infrastructure requirements of growth areas, with a strong focus on the provision of public funds to meet gap funding requirements.
- 3.6. Demand management may have a role to play but in communities which have been created in the 1960's, with low densities, these will only ever be of limited effect. Therefore we should assume that some additional funding will be required to deliver enhanced public transport and additional road capacity.

## **4. Barker Review of Land Use Planning**

### **Governance**

#### **4.1. Inter Regional Strategic Planning**

4.1.1. The Milton Keynes South Midlands (MKSM) growth area spans three government regions, three regional assemblies and development agencies, strategic health authorities, etc. The successful growth of any particular component of the sub-regional is dependent upon strategic planning across the whole area. Government should consider freedoms across these administrative boundaries to enable fruitful planning and delivery of infrastructure. PSA targets for all Government departments that support the delivery across the regional boundaries are required.

4.1.2. The approach would enable national and sub-regional planning of services to be sensitive to local ambitions as well as generating economies of scale across government boundaries. The policy would be particularly beneficial in the development of economic and transport planning.

4.1.3. We welcome the proposal in the Local Government White paper to support Multi Area Agreements and suggest that this principle is extended to strategic land use planning. MKSM spans three government office regions and as a key growth area requires significant joint infrastructure. The growth agenda across MKSM necessitates government investment alongside local and sub regional efforts to deliver increased housing and employment. The MAA approach should support joint strategic planning and delivery benefiting both the growth centres and their hinterlands. Government should consider also channelling funds through these vehicles to enable collaboration on key regional and interregional infrastructure.

4.1.4. Certainty of Government resources for growth across all communities in the sub region would expedite the delivery of homes by providing confidence in both the public and private sectors that capacity of services will be adequate. Potentially this would encourage local communities to embrace the prospect of growth rather than view it as an agenda imposed from Government.

4.1.5. We support proposals to rationalise national planning policy but believe that there still needs to be flexibility which take account of justified particular local circumstances.

#### **4.2. Growth Authorities**

4.2.1. As a growth authority we have significant experience handling major planning applications, many of which are key to the overall growth strategy. We believe that if an authority commits to substantial level of growth it should have greater freedom to decide on our delivery methodology. Greater policy flexibility, including higher thresholds for call ins and referrals would support the authority to expedite this objective. Such an approach would save significant time and money bringing Govt targets forward faster. Recent experience in Milton Keynes shows that even very large planning applications referred to the Government Office have not been called in. The process therefore has simply served to delay the progression of the development.

#### **Green Belt Land**

4.3. Green belt policy is widely understood and supported by the public, even if it is often mistakenly thought to apply to all open countryside. Reviews, therefore, should not be fundamental (in terms of the objectives of green belt) but allow for the possibility of development along transport corridors; compensatory additional areas to be

designated to replace any areas removed from green belt; diversification of farms; and more emphasis on environmental improvement and increased accessibility. Care is also needed to ensure that green belt boundaries allow for some future growth of existing settlements.

- 4.4. Milton Keynes is an authority which has been and continues to be developed on green field sites, our experience shows that very clear thresholds are necessary at a national level to prevent inconsistent amounts and scale of development coming forward in green belt on the pretext that they bring environmental gain. Safeguards are necessary to ensure that the open character of the green belt would not be compromised. Our experience shows that if the land is no longer required to remain open then the land should formally be removed from it the green belt designation rather than introducing a principle that would encourage developments trade off.

### **Spatial Level of Strategic decision-making**

#### **4.5. Joint Planning Arrangements**

4.5.1. Last year Milton Keynes Partnership, the local delivery vehicle, led a study into the future growth directions for the city. The study developed a number of scenarios each of which 'spilled' into neighbouring authorities and government office regions. This experience demonstrated that joint working at local level requires the hard decisions to be made at regional and sub-regional level first, so that there are clear and agreed parameters within which the local authorities can then work together.

4.5.2. The different joint planning approaches proposed in the Barker report are a positive way forward, but it is crucial that robust reporting links and decision making processes to and from the relevant local authorities are established. Decision making processes and how these related to the constituent local authority processes whilst developing the growth strategy were crucial. Where new institutions are formed then ideally, the decision making process on both planning policy and applications should be retained with the local authority.

4.5.3. N Northants are producing joint policy, but their development control process remains with the individual authorities. One possible way forward would be to form joint Committees for policy making and decisions if the matters required cross-boundary approaches. A clear outcome from the Milton Keynes growth study was the establishment of a joint forum across the five planning authorities to continue joint dialogue on the way forward on future DPDs.

#### **4.6. Local Area Agreement Accountability**

4.6.1. The Local Government White Paper helpfully reinforces the role of local authorities in leading their communities. The Local Area Agreement (LAA) is a critical device in this respect. The White Paper understandably observes the need for agreement with partners on targets and the need to take account of individual partners' existing commitments and responsibilities. Section 5.41 of the White Paper proposes that the relevant Secretary of State should have a power to direct the lead local authority and any specified partners to have regard to those targets for which they share responsibility. Section 5.42 says that this power will help to make clear where responsibility lies. Whilst this is helpful, we, and our partners, remain unclear as to whether the intentions of the White Paper for stronger shared accountability across local partners will operate effectively in practice.

4.6.2. Our concern as a council is that the LAA targets may take second place among our partners to the core requirements placed on them by their respective government departments. The concern of our partners is similar in that they are concerned that their accountability lines for delivery might become less clear. We would welcome further explanation of how the LAA accountability framework is intended to work in practice.

#### 4.7. Multi Area Agreements

4.7.1. We are pleased to see the inclusion of Multi Area Agreements in the Local Government White Paper and look forward to working with colleagues across the MKSM area to develop strategic transport and economic development interventions. The current governance structure in the MKSM area will however need to be reviewed. Currently the principal board, the Inter-Regional Board, lacks a robust support structure both at secretariat and executive levels. Sub groups of the IRB do not have adequate reporting and dissemination arrangements to ensure their legitimacy. Strong decision-making and accountability arrangements are necessary to ensure that the MAA delivery model effective.

### **The role of local authorities in relation an Planning Commission**

4.8. The value of the proposed Planning Commission is predicated on working to deliver the local ambition and for the Commission to succeed local areas must take responsibility for the development of a distinct vision. A Planning Commission may have many benefits in terms of the delivery and co-ordination of major infrastructure projects, but local authorities are best placed to advocate and represent local interests and must still lead the promotion of local priorities. Milton Keynes as a major growth area has developed an overall and distinctive vision in the Community Strategy which has been articulated by the Milton Keynes community.

4.9. The Council alongside other partners are working to ensure that there has been ongoing dialogue amongst communities across the city on the nature and extent of growth as we move towards future planning arrangements. The practice here demonstrates that even very large strategic planning issues can still be co-ordinated by local authorities, drawing on additional central Government expertise from our LDV when required. Local Delivery Vehicles therefore have relevance and can achieve support when their business plan is firmly rooted in the Community Strategy and other relevant joint strategies.

### **Convening**

#### **Local Authorities Role in Linking Planning, Housing and Transport**

4.10. An enhanced leadership role of the democratically elected agency and improved partnership models are critical to the successful delivery of these functions. Milton Keynes Council enjoys good and improving links with a wide range of agencies engaged in planning, housing and transport issues. An ongoing preoccupation however, is the need to access long term financial investment (for a minimum of five years) to meet the necessary infrastructure needs of high growth areas.

4.11. MKP, the local delivery vehicle, has been instrumental in the development of the Tariff to part fund much of the requisite kit. Milton Keynes Local Strategic Partnership has thirteen strategic partnerships each progressing growth, among other things. The partnerships shape and deliver the Community Strategy and its Local Area Agreement. Milton Keynes Partnership, the City's local delivery vehicle,

together with relevant strategic partnerships orchestrates much of strategic development of planning, housing and transport.

- 4.12. There is, however a tension in this model between local determination and the accountability of the LDV. Although the majority of seats on the LDV are held by local people MKP ultimately reports to DCLG and is required to deliver their targets which have been formulated with little or no reference to local partners' views. This imperative to meet the Government's objectives obfuscates local ambition and weakens joint local working on planning, transport and housing delivery.
- 4.13. Experience in Milton Keynes as a unitary authority is easier than in districts with a two tier arrangement. The additional tiers, including those at regional level and sub-regional level necessitates that the linkages between the tiers should be strengthened.
- 4.14. Sub-regional arrangements need strengthening to provide increased coordination (policy, funding & promotion) across local authorities, particularly if they are in different regions. Experience discussed above developing our long term growth plans shows that where there is a joint officer team a certain degree of separation from the parent authorities is necessary to develop a new perspective rather than promoting those of the constituent local authorities. The introduction of joint committees could be a way for developing a robust interrelationship between planning, housing and transport. These committees would require a joint planning unit to provide professional support.

### **Funding**

- 4.15. Economic and population growth needs to be supported through new mechanisms to provide local authorities with long term funding for investment in and the improvement of infrastructure. Certainty that there will be investment, whether by or facilitated by the public sector, is crucial to nurturing private sector confidence and improving the prospect of their investment. Here in Milton Keynes we have a strong engagement with private sector partners in the planning and delivery of growth. These partners are protagonists of the view that the growth of MK and a commensurate growth of the economy are only possible if there is certainty in the provision of infrastructure over a medium to long term.

### **Certainty**

- 4.16. The key principle behind the MK Roof Tariff is to deliver a degree of certainty to the developers, other private sector investors and the public sector that the requisite infrastructure will be delivered on time as any particular development proceeds. This is also a driver of the Government's Planning Gain Supplement proposals and must not be lost as the delivery architecture develops. Local authorities must have absolute certainty that the infrastructure will be funded through PGS. We propose that the local community develops a programme of requisite infrastructure, in a similar way as that in Milton Keynes where each item is identified, costed and scheduled. As we have discussed above, planning for this infrastructure must be initially at a local authority district level but planned in concert with neighbouring authorities.
- 4.17. An important feature of the Milton Keynes tariff is the ability to forward fund investment, bringing forward the delivery prior to the completion of the development. PGS therefore must have the capacity to forward fund infrastructure investment and not expect local authorities to rely on the use of prudential borrowing.

- 4.18. The local community also requires greater commitment and resources from other organisations and Government agencies to deliver growth. The point is illustrated by our experience working with the Environment Agency to produce a water cycle study. It has been estimated that this will cost £250,000 and will take three years. The EA requires eighteen months of that time to respond to the study at its various stages and are unable to contribute to the costs of the project. Government needs to ensure that its departments and agencies prioritise, fast track and financially support such studies if growth areas are to deliver the Government's agenda.

### **Incentives**

- 4.19. High growth local authorities, such as Milton Keynes, have not always benefited to date from new incentives such as the Local Authority Business Growth Incentive (LABGI) scheme. The Council did not receive any year one LABGI funding due to the way that target growth is calculated, taking into account historic growth. Authorities that have experienced a sustained period of growth between 1995 and 2003 have a harder target for receipt of LABGI than authorities growing at a slower rate or declining over the same timescale. Due to the fact that the payment of LABGI is dependent upon business growth during the year, measured by the change in rateable value, there is a high level of uncertainty surrounding the scheme, making it very unpredictable.
- 4.20. New incentives should also allow for local flexibility in respect of mechanisms to support growth, such as the Milton Keynes roof tariff.
- 4.21. Government incentives such as Growth Areas Fund and Communities Infrastructure Fund are welcome contributions to the local infrastructure requirement, but as discussed above the short-term nature of these funds and the competitive bidding element does not support the long-term and strategic nature of the Sustainable Communities Plan. In addition the role of regional agencies in the competitive bidding process mitigates against interregional collaboration thereby reducing the potential of nationally significant strategic development.
- 4.22. English Partnerships Outflow of Cash from Milton Keynes - Between 2004 and 2008, English Partnerships anticipate spending £201m in Milton Keynes and expect to generate £494m gross receipts from assets in the city (English Partnerships Eastern England and Milton Keynes Regional Business Plan 2004-05 to 2007-08).
- 4.23. Milton Keynes Council (and other former New Towns) believes that there is scope for attracting infrastructure investment by re-investing the capital receipts that are "clawed-back" to English Partnerships and from there, the Treasury. These receipts come from assets either built or provided by the former Milton Keynes Development Corporation (MKDC). For example, the bulk of capital receipts from the sale of public sector housing stock developed by MKDC under the "right to buy" has to go back to English Partnerships. Further examples include where restrictive covenants are held on land owned by English Partnerships and where there is claw-back in respect of any uplift in value of such land. Such capital receipts could be particularly useful if targeted or ring-fenced in areas where local communities identify that regeneration is needed, and which could also bring about new housing opportunities.

## **Penalties**

- 4.24. The current system of revenue funding from the Government continues to penalise growth authorities. The Council welcomed the introduction of population projections in the formula grant calculations but these are understated as they are based on an undercounted population for reasons such as international migration, a concern recognised by Government. Additionally, the future population figures are under-projected because they are based on historically undercounted data and do not take account of step changes in the pattern of growth and the statistics also exclude house building forecasts. The use of the most accurate and up-to-date statistics within the formula grant calculations will go some way towards ensuring that the needs of growth authorities are fully identified and funded.
- 4.25. Furthermore, the operation of the damping mechanism within the formula grant distribution system is significantly penalising Milton Keynes. While the Government attempts within the formulae to identify local need based on relative local circumstances, the operation of the damping mechanism serves to abate the majority of the increase in grant identified as being required according to the needs analysis. The level of protection offered to floor authorities, set above the Government's inflation target, results in a damping loss to Milton Keynes of £6.5m in 2007-08. This acts as a disincentive to growth since funds are being diverted away from the expanding population of Milton Keynes to support authorities that are in decline.
- 4.26. High growth areas are also penalised due to the lack of recognition of the need for additional revenue and capital funding to pay for infrastructure and the additional service provision that is required to meet the needs of an expanding population.

## **5. Leitch Review of Skills**

### **Governance**

- 5.1. Milton Keynes Council will be seeking with our Economic and Learning Partnership to work in partnership with the reformed LSC to ensure that there is a robust 14-19 service that meets the needs of the whole community. There has been a strong partnership approach to date and this has proved to be important in addressing needs.

### **Convening**

- 5.2. From our experience in Milton Keynes, we believe that local authorities have an important continued role in education and links with employers. Milton Keynes Council enjoys good links with both employers (through trade bodies, such as the local Chamber of Commerce) and education bodies and by providing adult education services for them through the Adult Continuing Education Service. Local authorities can play an important coordinating role, creating the right conditions to ensure that local skills gaps are being identified and tackled and making the case for the delivery of Higher and Further Education. In Milton Keynes, for example, the local authority has been a strong advocate for the need for increased FE services and for HE facilities in the city to meet the rising demand from the local population and employers.

### **Funding**

- 5.3. Milton Keynes Council supports the principles of person centred and demand led learning and the council is keen to ensure that it is at the forefront of developments. However, it can only do so if there is basic support to local providers and sufficient capacity to address the needs of the most disadvantaged learners to have an equal opportunity to learn.
- 5.4. However delivered, the funding that supports skills development must take account of the unusually high growth rate of adults in or about to enter the Milton Keynes labour market. Currently there is a much higher demand on these services than the funding tolerates. As discussed above there is a funding lag in relation to the population increase and funding increases have kept pace with changes in the demography locally. In some cases it has fallen dramatically. For example the Adult continuing education service experienced a 42% reduction in FE funding over the two years 2004/05 and 2006/07 despite rises in the overall eligible population. The result therefore is that the Skills for Life provision had to be significantly reduced and all funding for adults part time FE courses cut. There are now very few opportunities for adults to gain access to GCSE or A level qualifications in the borough as the college also offers a limited range. Level 2 sign language courses have had to be removed altogether despite a heavy demand.
- 5.5. Milton Keynes Council hopes that further reforms to the LSC's funding will take the opportunity to allow for appropriate growth for the area, since this is invaluable in providing the right skills for the local economy and for drawing the most disadvantaged people in to skills development, and therefore helping with the very issues that the Leitch review identified
- 5.6. Following the recommendations of the Leitch Review, the Government is likely to continue to regard education as a key priority in the coming years and to this effect is likely to continue to direct significant increases in funding to this priority area. We would urge the Government to consider the impact of rising costs on other services such as waste and social care.

- 5.7. The Leitch Review recommends that employers increase their investment in training. The Council would ask the Government to consider the impact of increased training costs and to provide appropriate funding to local authorities to meet these costs.