

Third Submission to the Lyons Inquiry

England's Regional Development Agencies

Executive Summary January 2007

Introduction

England's Regional Development Agencies (RDAs) welcome the opportunity to respond to the extended Lyons Inquiry into the implications for local government of the Eddington Transport Study, the Barker Review of Land Use Planning and the Leitch Review of Skills.

This response builds upon the previous two submissions from the RDAs to the Lyons Inquiry.

This paper is structured into two sections. The first section considers the more general implications of Eddington, Barker and Leitch in the context of local, sub-regional and regional level governance and structures. It looks at the most appropriate spatial level for intervention for the different policy areas all of which impact upon economic development and regeneration.

The second section provides a more detailed response to the specific questions raised by the extended Lyons Inquiry.

Should the Lyons Inquiry Team require any further information, clarification or discussion on any of the points raised in this submission, please contact Alan Clarke, Chief Executive, One NorthEast.

Key Messages

- **The region is the right level for strategy development;**
- **The different policy areas of transport, planning, skills and economic development need to be brought together for stronger coherence at the regional level for improved local delivery;**
- **The roles, responsibilities and powers of sub-regions and other delivery vehicles will vary within and between regions;**
- **Multi Area Agreements have the potential to be key facilitators of cross boundary working.**

SECTION 1: SUB NATIONAL LEVELS FOR INTERVENTION

- 1.1 As highlighted by Lyons, the three reviews from Eddington, Barker and Leitch all recognise that economic activity does not respect administrative boundaries and that isolated decisions within those boundaries may not reflect the reality of the modern economy or the costs and benefits that can spill over to other places and people.
- 1.2 This means that the governance arrangements at sub-regional and regional levels are important alongside the need for public bodies at these levels to work more effectively together.
- 1.3 The three reviews demonstrate the strong links and relationships that exist between economic growth and the different policy levers of transport, housing, planning, skills and economic development and regeneration. Therefore in the context of driving the sustainable improvement of the national economy through increasing performance and competitiveness and reducing economic disparities within and between regions, the Regional Economic Strategies will continue to play a vital role.
- 1.4 However, despite many welcome improvements at the regional level, there remain some significant barriers to improving economic growth, some of which have been recognised by Barker, which urgently need to be addressed.
- 1.5 A key issue for the Lyons Inquiry and the sub-national review is what activity and responsibility could be devolved from Whitehall and national non-departmental public bodies to regions, sub-regions and localities, improving the ability for public bodies to deliver economic development and boost economic growth more effectively.

The Strategic Role of Regions

- 1.6 The Local Government White Paper 2006 made it clear that strong strategic regions alongside strong cities are needed if the UK is to respond successfully to the challenges ahead. A continued consistent approach to the regional tier of governance is important to ensure that:
 - There is a level of consistency in tailoring and translating national targets, policies and priorities to regional and local circumstances which differ widely across England;
 - Urban and rural areas are developed within a wider economic context which takes account of housing markets, travel to work areas and economic markets which do not often respect administrative boundaries. The strategic coordinating role of the regions ensures that local plans and strategies do not result in duplication, fragmentation, and complication;

- Macro economic issues can be identified and addressed without fear of being overlooked in favour of more immediate local and/or politically expedient concerns;
 - All partners within a region can speak collectively and with one voice which is stronger than that which individual voices alone can bring.
- 1.7 The Regional Economic Strategies provide the overarching strategic framework for all sustainable economic regeneration and development in the regions. Regional Economic Strategies are developed in the context of a competitive global marketplace and have helped to develop the ability of the regions to prioritise actions and take difficult decisions. Regional strategic overview and prioritisation adds significant distinctiveness and value to economic development activity in each region.
- 1.8 National Government cannot support all the local authorities in England to the same degree. The regional level has the capacity to prioritise, develop, and support local authorities within the context of the Regional Economic Strategy.
- 1.9 However, there are many barriers that prevent RDAs and their partners achieving their full impact on regional economic growth. The most important of these are as follows:
- The application of policies of Central Government Departments in the regions is not strongly aligned to regional priorities;
 - The activities of a host of agencies operating in each region, such as the Learning and Skills Council, Connexions, Jobcentre Plus, English Partnerships are directed by national funding and targets rather than regional priorities. This results in a fragmented regional target framework that acts as a disincentive to collaboration to achieve regional economic aims;
 - RDAs are constrained in how they meet their main PSA target of delivering sustainable improvement in economic performance by having to contribute to too wide a range of national PSA targets;
 - There is often poor alignment between the Regional Economic Strategy and Regional Spatial Strategy (RSS).
- 1.10 In light of the above barriers, the following remedial actions are proposed:
- **Reform of PSA targets** – RDAs would welcome fewer national PSAs that are outcome focused including a new regional economic performance PSA target set for all public bodies/agencies (including key spending Central Government Departments) involved in economic development. A regional PSA target would act as the necessary incentive for better alignment of public sector priorities

and resources and give regional economic priorities significant additional traction and impact.

- **Improve alignment between regional strategies** - As identified by Barker, reforms are needed to ensure that the planning system reflects the need to support the economic growth and competitiveness of the UK economy. RDAs would welcome greater alignment between Regional Economic Strategies and Regional Spatial Strategies. This should include ensuring consistency of economic assumptions. In addition to alignment of these two important strategies, further alignment needs to take place with the Regional Transport Strategy, Regional Skills Strategy, Regional Housing Strategy and other regional strategies. Building on the framework provided by Local Area Agreements and now proposed Multi Area Agreements, a Regional Area Agreement could help bring further coherence.
- **Increase responsibility for transport in the regions through a Regional Transport Board or Partnership** - All regions have risen to the challenge of identifying priorities for the Regional Funding Allocations process. Funding allocations for housing and economic development are already devolved to regional bodies. The existing regional structure supports the principle of increasing powers and responsibilities for transport at regional level (possibly through a Regional Transport Board or Partnership) thus encouraging greater integration in strategic decision making and improved local delivery.
- **Increase influence over skills spending in the regions** - The Leitch Review of Skills makes no explicit mention of regional interface and regional economic demand. There is a risk that unless there is a regional dimension to skills and employment planning and funding at the regional level, then a cohesive and effective regional framework for sustainable economic growth will be significantly hindered. The scope of the Regional Funding Allocations (RFA) needs to be broadened to include skills funding.
- **Commitment from national organisations to fully recognise regional differences** - The Government continues to create national organisations that often do not adequately reflect regional differences and the need to reduce regional disparities in economic growth rates. For example, Barker recommended the establishment of the National Planning Commission, Leitch proposed a new Commission for Employment and Skills and Eddington recommended the establishment of an independent Planning Commission for strategic transport schemes. The key issue is to ensure that these bodies are flexible and can take account of regional and local circumstances. The recent merger of the Housing Corporation and English Partnerships has likewise resulted in a new national body, Communities England, with national targets.

- **Greater clarity of the respective roles of public bodies** – The economic development picture at the regional, sub-regional and local levels is currently complex and lacking in clarity. There is need for greater clarity of the roles of RDAs, English Partnerships, Local Authorities in terms of areas of responsibility.
- **Improve evidence based policy making** – A better understanding of the functioning economies of areas, their interactions and the implications that follow from such an understanding about the most appropriate policy responses is needed. A significant strengthening of strategic capacity, intelligence and foresight is essential in each of our regions to assess the existing evidence and knowledge base and identify the key gaps and deficits that impede effective economic policy development and interventions. There needs to be greater development of joint evidence bases between Local Authorities, RDAs and their partners that reflect the different functional areas. RDAs would welcome Government's commitment to implement in full the recommendations of the Allsopp Review of economic statistics.

The Role of the Sub-Regions and Localities

- 1.11 The Local Government White Paper 2006 set out a number of new proposals for strengthening the role of local authorities in economic development. For example, improvements made to Local Area Agreements, the development of Multi Area Agreements and City Development Companies, new legislation for stronger local leadership and a commitment to reduce the number of central targets and indicators. These are all welcomed by the RDAs.
- 1.12 As outlined in previous RDA submissions to the Lyons Inquiry, there is no one common approach required for economic interventions due to the different economic, spatial and political geographies of the regions.
- 1.13 Local government is an important part of a broader economic framework covering national, pan-regional, regional and sub-regional, as well as local levels. Local authorities' actions in driving local economic growth have to be taken forward in the context of economic realities and the bigger challenges we face including globalisation and rapid technological changes.
- 1.14 Whilst all local authorities have a role in driving improved economic performance, the opportunities, challenges and the impact of economic interventions between the different types of authorities varies significantly. In our experience it is urban areas that have the biggest potential to maximise economic growth and have the biggest and widest impact on their local and surrounding areas. Through greater collaboration between urban areas, particularly cities, and their neighbouring local authorities there is potential for an even bigger return on investment and economic impact.

- 1.15 What is important is the successful cohesion and overarching strategic framework provided by the regional strategies alongside flexible and appropriate sub-regional and local implementation arrangements.
- 1.16 In this regard, MAAs have the potential to add value to existing sub-regional partnerships (including city regions) by:
- Providing a greater return on economic outcomes and investment than LAAs alone could deliver;
 - Providing a new contractual relationship between public sector bodies to deliver against an overarching set of sub-regional targets that all partners are signed up to;
 - Becoming part of the implementation plans for elements of regional strategies;
 - Reducing and aligning more separate funding streams at the sub-regional level and increasing sources of revenue;
 - Increasing private sector leverage and buy in.

SECTION 2: RESPONSE TO EXTENDED LYONS INQUIRY QUESTIONS

OVERALL

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

- 2.1 The Local Government Act 2000 sets out the powers of local authorities to do anything (within or outside its local area) to promote the economic, social and environmental well-being of its area. The Act, supplemented by the provisions proposed by the Local Government White Paper 2006 provides Local Authorities with sufficient powers to effectively undertake their place-shaping role.
- 2.2 Sustainable Community Strategies and Local Area Agreements should contain the necessary vision, objectives and prioritised actions to support a drive for economic prosperity at the local level.
- 2.3 The key issue for local authorities is the extent to which their plans and actions reflect wider functional economic areas. It is crucial that the mechanisms for effective cross boundary collaboration and the processes for agreeing cross boundary priorities are in place.
- 2.4 Government should give local authorities a much greater steer in assisting with the business support simplification agenda. The potential for duplication and growth of business support activity, particularly in relation to enterprise, is encouraged by the emergence of Government initiatives such as LEGI. This makes it more difficult for LAs and their partners, including RDAs, to develop consistently funded coherent, co-ordinated and effective business support programmes that business can access quickly and easily.

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?

Eddington Transport Study

- 2.5 The Eddington Transport Study clearly places an emphasis on transport investment to focus on three core areas: congested and growing city catchment areas, key inter urban corridors and links to key international gateways.
- 2.6 The RDAs recognise that the focus of the Eddington Study is on identifying those transport improvements that are necessary to increase national economic productivity. It is important not to lose sight of other transport issues that are of local importance and from a local authority perspective may be of more importance. These include improvements for smaller towns and rural areas, access to local services and on local rail routes.

- 2.7 The key challenge is to ensure that regionally significant transport infrastructure is available to support economic regeneration and growth opportunities across the regions both within and outside of the major conurbations. Sub regional bodies need the powers to deliver local accessibility alongside major regional and sub regional transport schemes to strengthen the links between local communities, particularly deprived neighbourhoods, and opportunities for employment, training and education.
- 2.8 The Eddington Study also endorses the introduction of road pricing in major conurbations. Care needs to be taken to ensure that this does not lead to relocation of employment activity outside of the pricing area which in turn could increase demand on networks serving these locations. It is important to assess the implications and knock on effects of pricing on activity in surrounding areas.
- 2.9 Clear guidance needs to be drafted to ensure that the functional economic area for determining sub national decisions on transport funding are appropriate.

Barker Review of Land Use Planning

- 2.10 RDAs support the need to simplify and speed up the process for major infrastructure developments. However, it will be important that the proposed National Planning Commission considers the need to reduce regional disparities in economic growth. The planning issues facing each region can often vary significantly which require tailored interventions that reflect these differences.
- 2.11 For example, in the South East, housing supply and affordability are important issues, whereas in the North, there is demand for a greater quality and range of housing types.

Leitch Review of Skills

- 2.12 The Leitch Review of Skills makes no explicit mention of regional interface and regional economic demand. There is a risk that unless there is a regional dimension to skills and employment planning and funding at the regional level, then a cohesive and effective regional framework for sustainable economic growth will be significantly hindered.
- 2.13 Leitch does not say much about the level at which the proposed new Skills and Employment Boards will operate. The roles of the Regional Skills Partnership, the new Regional LSC Boards, the proposed Skills and Employment Boards and the local Employment and Skills Boards being created as part of City Strategies need to be debated within each region. This should ensure development of a strategic framework that is consistent with economic growth potential and with the most appropriate delivery mechanisms for skills and employment at all spatial levels. Each region will likely develop a slightly different model which reflects the different needs of its employers, economy and economic geography. For some

areas this might reflect Local Authority districts, or English regions, in others it may not.

- 2.14 What is important is that the roles and responsibilities of those bodies involved in the provision of skills and employment services are clear and are not duplicative.

EDDINGTON TRANSPORT STUDY

Governance

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

- 2.15 Local Authorities have generally worked well with a range of regional and sub regional partners to identify the regional transport priorities for the Regional Funding Allocation process. In addition they have worked with other partners to deliver a wide variety of transport projects.
- 2.16 The RDAs have long argued for increased responsibility at regional level for funding and delivering transport infrastructure. This could be delivered through a 'regional transport body' e.g. Regional Transport Board or Partnership. The roles and responsibilities of the regional transport body would vary to meet the needs of each region to oversee transport funding, scheme prioritisation and delivery. These sub national level transport groups/bodies could be complemented by pan regional agreements, as with the Northern Way Compact, part of the Northern Way. Local Authorities would have a key role within this regional framework in the delivery of transport projects and accessibility.

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?

- 2.17 Local Authorities must introduce an inclusive approach to delivering schemes, including all public and private sector partners and encourage joint ownership of project delivery.

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?

- 2.18 There is a recognised link between transport, planning, housing and economic development. Funding allocations for housing and economic development are already devolved to regional bodies. This existing structure supports the principle of increasing powers and responsibilities for transport at regional level and encouraging greater integration in decision making and delivery across these issue areas.

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

2.19 Local Authorities need to be able, in consultation with local stakeholders, to specify the core local transport network necessary to meet local needs. Increasing Local Authority powers to specify local services and set up the appropriate mix of rewards and penalties for operators would improve delivery of services to meet customer needs. This would allow bus services to be better coordinated, both within local networks and alongside heavy and light rail to maximise accessibility and sustainability, and support wider regeneration priorities.

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?

2.20 This can be achieved through strong partnership working at local level and strong partnership working between the local level and regional agencies on key regional priority sites and issues. Strengthening the economic strand of the Local Strategic Partnerships to ensure closer links between transport and other elements of economic development should be pursued.

Funding

How could current funding arrangements best be reformed to support cost effective and appropriate spending and investment decisions at sub-national level?

2.21 The RDAs, whilst welcoming the move to Regional Funding Allocations for transport, believe that the current process of region's offering 'advice' is insufficient. Regions should have greater responsibility and control over public sector transport spending for transport. Increased control not only offers greater decision making powers, but also enables the region and sub regional partners to define the timetable for contracting and delivering schemes.

2.22 The current division between national and local funding creates a fragmented approach to transport funding. The Local Transport Plan process provides funding for local highway and capital schemes alongside local revenue channels. The RDAs would support an integrated approach to funding which would enable investment to be guided by local requirements rather than budgetary procedures.

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?

- 2.23 In addition to the RFA, other local transport funding streams could be placed in a single regional pot for delivering transport infrastructure across the regional to support the delivery of regional and sub regional strategies in a programmed way.
- 2.24 Current Government policy is to encourage demand management through the Transport Innovation Fund which acts as an incentive by promising funding for schemes which would otherwise be unaffordable. Whilst this mechanism has been welcomed by many transport stakeholders it fails to deliver any certainty in the short term. Increased responsibility for allocating funds and determining priorities together with new financial mechanisms which enable sub national bodies to raise revenues from a wide variety of sources in addition to public sector funding would provide increased innovation in managing and delivering a transport network which can deliver for future economic and social needs.

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

- 2.25 The revenues should be used to support the delivery of schemes at local level alongside other public and private funding sources.

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?

2.26 We recognise the importance of local flexibility for issues with a genuinely local impact, but would caution that even these need to be decided in accordance with agreed regional strategy. Moreover, it should be recognised that there are issues that might appear to have only a local impact but in practice have a wider one. It is therefore important that the balance between local flexibility and adherence to overarching strategy is appropriately struck.

2.27 There should be some local flexibility in relatively minor changes to green belt boundaries to accommodate economic development or to improve its quality without undermining green belt integrity.

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?

2.28 The planning system currently allows local authorities to collaborate at the sub-regional level and to prepare joint Local Development Frameworks since in many instances strategically important development cross local authority boundaries.

2.29 Given the differing circumstances (political, geographic, economic, social, environmental) across the regions, there is no one size fits all approach to planning at the sub-regional level. One region may consider the use of a Housing Market Area, another may consider strategic planning at a city region level. For example, the East Midlands Regional Spatial Strategy is strongly emphasising a Housing Market Area approach.

2.30 The Local Government White Paper 2006 encourages such co-operation and the development of the Northern Way City Region Development Programmes and the RDA's involvement and encouragement more generally to sub-regional partnerships to develop sub-regional economic strategies, has helped to encourage a more strategic approach to land use planning, particularly in relation to economic development and improving quality of place which is vital.

2.31 However, in the main, only a relatively small number of local authorities have sought to prepare Joint Local Development Frameworks.

2.32 Maybe the respective Government Offices could play a much more active role in promoting this.

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?

2.33 We await the details of the government's proposals for an independent planning commission with interest. At this stage, we would simply observe that it will be important that in defining any role for local authorities in relation to such a commission, the related roles of the RDAs and regional planning bodies would need to be taken into account.

Convening

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

2.34 As is highlighted in Section 1 of this response, alignment between regional strategies is a crucial pre-requisite for effective sub-regional and local partnership planning and working. Agreed regional frameworks should be consistent with sub-regional level activity and be mutually reinforcing.

2.35 One of the key recommendations of the Barker Review was the need for planning and economic development functions at a local and regional level to be more aligned. This included greater alignment between RESs and RSSs. If the link between planning and economic development is strengthened it would very likely refocus priorities across all three policy areas.

2.36 It is important that when considering how best to link work on planning, housing and transport issues, that economic development and regeneration activity is also considered. The potential for increased economic growth should be considered a key outcome.

Funding

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

2.37 The second RDA response to the Lyons Inquiry identified a number of incentives for local authorities to support economic growth including Regional Infrastructure Funds and Local Asset Based Regeneration Vehicles.

2.38 Following the Barker Review, RDAs are preparing detailed arrangements for broadening the fiscal incentives for local

authorities to promote economic growth such as taxes for vacant brownfield land.

- 2.39 RDAs will be responding separately to the consultations on the detail of the Planning Gain Supplement and brownfield land consultations.

LEITCH REVIEW OF SKILLS

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?

- 2.40 Local Authorities will need to play a full role in the implementation of Leitch. The very stretching targets will require them to have a fundamental re-think of action to date. They will need to build on current good practice but need a fundamental shift to a more market-driven, employer-led agenda. Leitch puts particular focus on people already in work – more than 70% of the workforce of 2020 is already in work.
- 2.41 The targets address the need for increasing skills clearly linked to improving the education and skills development of young people and increasing productivity. It is imperative to connect these and not create artificial divides between a child's education and an adult's skills development.
- 2.42 With their new strategic leadership role local authorities will need to consider how they can adopt the more holistic approach to skills proposed by Lord Leitch. They will need to consider how action on skills can be integrated more effectively within their work on economic development and regeneration as well as their interests in schools and the 14/19 agenda. They will need to consider how investments in skills, at all levels, can increase the economic prosperity of their areas. In this respect, it is expected that there will be an increased focus on the importance of graduate level skills and of working with employers to develop the leadership and management skills they need to produce higher value added products and services.
- 2.43 The reform of the Learning and Skills Council includes the creation of the regional LSCs across England, supported by 148 local Partnership teams. These teams largely overlap with individual Local Authority boundaries. It is therefore likely and appropriate that operationally, Local Authorities will develop their relationships with the local Partnership Directors and their teams. The aspiration in Leitch, to increase educational participation post 16, places a clear responsibility on this partnership between Local Authorities and the LSC's Local Partnership teams to make initiatives such as the new Diplomas a success.
- 2.44 Currently there is significant variation in the way LSCs and Local Authorities co-ordinate their respective planning for the 14-19 cohort, which can inadvertently hinder learner progression. It can also cause problems for colleges working with schools on 14-16 vocational training, especially where college sites and catchment

areas cross local authority boundaries. There needs to be a clearer national framework which facilitates more effective working between Local Authorities and LSC local partnership teams, a challenge being influencing Head Teachers to work in partnership with colleges, as they are directly in competition for 16-19 year olds.

- 2.45 Local Authorities will need to demonstrate leadership through partnership, encouraging effective partnership between schools, colleges and employers. There will also be a need to place skills development "above politics" to ensure continuity of approach across administrations.
- 2.46 Under the guidelines detailed in Leitch, the LSC must assume a lesser planning role at national, regional and local levels. In the future, Leitch requires that the LSC focuses on Train to Gain, Learner Accounts and ensuring effective competition. This does not imply a planning vacuum, which a local authority must fill, but does create a role for both Local Authorities and RDAs, to assist businesses in participating in effective articulation of their skills demands. The development of the diplomas, already signals a requirement for provision to be more aligned to the skills required by businesses, but Local Authorities must be aware of how students of traditional academic pathways graduate into the new demand-led adult skills system.
- 2.47 Local Authorities have a clear role in the skills system, in terms of the entry of young people into employment. While Leitch recognises the improvements made in Educational attainment, he draws on the issue that one in six leave education unable to read, write and add up. The Local Authority role must therefore be to assist in the success of the 14-19 reform programme.
- 2.48 The education process should ensure that all children have at least basic and employability skills. Local Authorities have a huge responsibility to make this happen, whilst the LSC, whose focus is mainly around 16-19, should input where appropriate, including enterprise development, providing continuing support required for the people who need it most.
- 2.49 Local Authorities and the LSC need to work together more effectively to tackle the NEET (Not in Employment, Education or Training) population, particularly the 16-18 economically inactive and ex-offenders. Here, skills are only one issue confronting these groups of people and should be seen in the wider context of provision of adequate housing, transport, childcare, etc. This is much better addressed at a local level, and Local Authorities have a fundamental role to play in bringing together economic development and regeneration with schools and education, supported by other agencies such as the LSC.

- 2.50 The Voluntary and Community Sector with much better access to the people needing support should be more involved. Local Authorities should lead on greater engagement with the Third Sector, but other agencies such as LSC and JCP, should demonstrate greater willingness to do so.
- 2.51 Local Authorities as a major employer should do more to employ the economically inactive.

Convening

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

- 2.52 It is vital that skills and employment are linked, together with health, transport, childcare etc, building upon Sustainable Community Strategy/LAA plans developed through the Local Strategic Partnerships. As strategic leaders in their areas, local authorities have a key role to play in assisting local partners in their area to align delivery of skills and employment work behind shared targets. City Strategies Pathfinder projects aim to bring employment and skills together and a number of Cities have developed their own Skills and Employment Boards. However, the local, sub-regional and regional architecture is very cluttered, as Leitch highlights. A more coherent process is needed to accommodate local need, reflect the local economy and contribute to sub-regional and regional economic objectives.
- 2.53 The role of the soon to be established Employment and Skills Boards, at a local level needs to be considered in the context of local strategic partnerships. If these Boards are to play the only role in terms of intelligence to feed the planning of the skills system, albeit within the context of the National Commission and its guidance, the way in which skills, education and learning are reflected in community strategies will need to be considered. Local Authorities must also manage the consolidation of previous local forums so that if the recommendation in Leitch is taken forward, the new Boards can establish themselves outside of the confusion of pre-existing structures, but ensure they build upon what already works in practice.
- 2.54 The local authority role in such boards is not made explicit in Leitch, but as the Boards have a role in terms of scrutiny of local services, it would seem pragmatic that the Local Authority has some form of participatory status, as has been appropriate within a number that have been successfully established to date. The role of the Local Authority as an employer could equally give them status on the Board.
- 2.55 Leitch is keen on the need for co-location of services and correcting the artificial divide between skills and employment. With this in

mind, his reflection on initiatives such as Learning Shops and Local Authority One Stop Shops as an illustration of effective means of engagement, provides a clue to further future integration of community services. In the development of the new Adult Careers Advice services, he stresses the need for this continued co-location.

- 2.56 Stronger links will need to be made with current and emerging Information, Advice and Guidance (IAG) services for both young people and adults. Proposal for Adult Careers service will require Local Authorities to engage with this new service as it emerges. There will also need to be clear and strong progression routes between IAG services for young people and adults. A particular challenge to Local Authorities will be to ensure the schools provide independent advice and guidance to support the Government drive to encourage take up of vocational qualification and vocational routes into HE.
- 2.57 From an individual learner perspective, there needs to be much stronger signposting and awareness of employment and skills services across education and training providers, Jobcentre Plus, Learndirect, Next Steps and Connexions advice and guidance. Leitch's proposal to launch a universal adult careers service will help. This joining up is best achieved at regional and local level within a coherent national framework.
- 2.58 From an employer perspective, links need to be made across the full range of business services, and not solely restricted to employment and skills. Currently, employers face a highly fragmented offer from government agencies and providers offering services and support to business. The current business simplification agenda led by the DTI with the support of RDAs seeks to address this. Therefore, it is essential that employment and skills provision, including Train to Gain and Higher Education provision is integrated with the simplified business support offer.
- 2.59 The national simplification framework developed by the DTI will be key to achieving this, as will reformed delivery of business support services through RDAs and Business Links. Regional Skills Partnerships are well placed to take forward the scrutiny of and joining up of local skills and employment services as proposed by Leitch. Employer Skills Boards could be developed in line with English regions, building on the success of RSPs and their significant employer base. This joining up is best done at regional level by RDAs who have been tasked by the DTI to deliver simplified business support.

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

- 2.60 Local Authorities have a vital role to play in the demand-led, market-driven agenda through understanding the needs of the local

economy and demands of their employers. Some local authorities have very sophisticated research and analytical capacity that should be shared with key partners in the region to help inform current and future skills demand. They should consider an increased focus on higher level skills and the need to improve management and leadership skills within business. Through access to business, Local Authorities can reality test the demand for skills identified through the Sector Skills Councils (SSCs).

- 2.61 As major employers they have a critical role to play in the new demand-led system, and they should demonstrate leadership in identifying, articulating and paying for the skills development of their workforce.
- 2.62 As major purchasers of products and services they could have a key role in ensuring that their suppliers have appropriate training plans in place to ensure they maintain and enhance the quality and value for money of their products and services.
- 2.63 They have a role to play through tendering of contracts to impose skills development criteria whether this be cleaning services or regeneration of city centres.
- 2.64 Local Authorities are well represented on FE College Boards with some responsibility to ensure colleges are fit for purpose and able to deliver the required provision.
- 2.65 This needs to be further integrated into the wider context, with Business Links and education and training providers are best placed to inform employers and their staff of the benefits of training at the local level, while at regional level RDAs are best placed to engage employers and generate demand for skills through their Business Link services, Sector Consortia and other routes to market.
- 2.66 It is essential that Local Authorities inform residents of the new Adult Learner Accounts and sign post adults to the new accounts through learning centres, libraries, employment support, community facilities etc.
- 2.67 Many Local Authorities play a significant delivery role in the skills agenda, particularly working with the dis-engaged. The way in which this type of provision can be developed along demand led lines is a key challenge and much of the funding which Local Authorities have relied on (European Structural Funds (ESF), RDA funding, LSC core funding) will under Leitch's recommendations, be awarded under revised principles. However, the refreshed focus on principles of "who pays" should ensure that greater public funding is available to support the client groups that Local Authorities typically target.

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?

- 2.68 Leitch does not say much about the new Skills and Employment Boards. However, as mentioned above, a number of City Strategies are setting up Employment and Skills Boards and with LA representation on Regional Skills Partnerships, there is the potential to duplicate activity and not build upon the existing architecture. The role of the RSP, the new Regional LSC Boards and proposed Skills and Employment Boards should be properly debated within the local, sub-regional and regional framework. This should ensure development of a strategic framework that is consistent with economic growth potential and with the most appropriate delivery mechanisms for skills and employment at all spatial levels. Each region may develop a slightly different model which reflects the needs of its employers and economy.
- 2.69 As the consultation paper notes, economic activity does not respect administrative boundaries. Genuine employer engagement is key to the success of the Employment and Skills Boards proposed by Leitch and therefore their geographies should be determined by employer will. For some areas this might reflect Local Authority districts, or English regions/devolved administrations, in others it may not.

Funding

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

- 2.70 The implications for all providers of skills support are clear in the report. Funding will only be provided as prescribed under the Train to Gain system, (i.e. released once an employer has articulated the training needs of their employers) or through the Learning Accounts. There is significant onus on businesses and individuals to fund their own skills requirements, particularly at higher levels (levels 3,4 and above) but a reference to a fairer application of public funding to better reflect ability to pay principles. The demand led system will require some testing to ensure that the vulnerable beneficiaries often supported through Local Authority services are not further removed from opportunities.
- 2.71 City Strategy Pathfinder projects and LAAs identify appropriate enabling measures (freedoms and flexibilities) and funding constraints. DWP is working on the detail but this work should be properly co-ordinated.
- 2.72 More effective use should be made of European funding to bring together the economic development, regeneration, education and skills agendas, with the proposed strategic role for RSPs in

developing regional ESF frameworks for the alignment of ESF with regional skills and employment priorities.

- 2.73 There will need to be a new approach to using local authority investments to lever investment from private sector employers to benefit the local economy and community and to increase investment in training of their workforce.
- 2.74 Although Local Authorities will have Human Resource departments these departments will need to develop expertise to encompass skills development planning for staff, contracted services and projects. This expertise should also include skills sets to engage with and negotiate provision with local providers, the regional LSC skills teams and relevant SSCs.
- 2.75 Government expectations of employers in all sectors are that more skills development takes place in the workplace at higher levels and that this should be funded by the employer and/or the individual. The size of Local Authorities training budgets will need to increase accordingly to accommodate this. As major employers, Local Authorities will be in a position to make a major contribution to upskilling the UK workforce.