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The Lyons Enquiry,
Room 3/12,
1 Horse Guards Road,
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Dear Sir,


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

Thank you for the opportunity to comment on your latest report into the implications of the Eddington, Barker and Leitch Reviews. I am responding on behalf of my Authority in place of an elected member partly because of the relatively tight deadline but mainly because the County Council has an established policy on the majority of the issues raised.

This is the fourth response we have made to this Government enquiry, and its predecessor the Balance of Funding enquiry, the County Council having previously put forward its views in September 2003, April 2005 and March 2006. We have been very supportive of the approach you have outlined on place shaping and on the reduction in central control and targets some of which has been supported by the Government in the Local Government White Paper.

The situation regarding funding is complex and, as your report shows, evolving. However, the further deferment of your final report, coupled with the postponement of the Spending Review by a year and also the impenetrability of the new 'four block' grant system is a cause of significant uncertainty and instability for local authority finance. Until the issue of proper funding of Local Government is resolved, the discussion around structure and responsibilities for Local Government will only be considering part of the picture. I hope therefore that your Review can soon be brought to a satisfactory conclusion.

Yours sincerely



Stakeholder Questions

Overall

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

Q. 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?

Q. Are there any other aspects of these reviews relevant to local authorities and to their place-shaping role that I have not identified? If so, what are they and what are their implications?

There are three main constraints on Local Authorities' powers to place shape and, in order of priority, they are funding, central direction and powers.

Funding is the key. The introduction of Dedicated Schools Grant (DSG) has further compromised the scope of local decision-making. The value of ring-fenced grant the County receives (in DSG) is almost five times the formula grant over which we have discretion. Added to this, business rates are no longer separately identifiable as an amount distributed per head, but are allocated as a proportion of formula grant (86% in 2007/08) - making any return to local control problematic. This significantly limits our ability to place shape by limiting our ability to move money to meet local priorities.

West Sussex County Council is also under funded, receiving a very low level of formula grant support to cover all non-school services - £81.8m out of some £417m spending next year. However, according to Government calculations, we are still funded considerably beyond our underlying grant entitlement and a further £24.5m damping grant will be stripped out of our grant allocation over time. The opportunities for place shaping will continue to be reduced as the money available becomes insufficient to provide basic services.

The second constraint is the level of control of Local Government by Central Government. This has been recognised in your own Interim Reports and in the Local Government White Paper, however the relaxation still needs to be delivered. It is noteworthy that the promise to reduce central targets in the LAA is not included in the Local Government and Public Involvement in Health Bill, although it may be included in the regulations which follow.

The third constraint is powers. Shire Local Authorities are being left behind in the devolution of powers. The powers which have been given to the Mayor of London and which have been promised to cities in the White Paper should be extended to Shire Counties as well. The challenges we face are as great as those faced by the cities and our economic contribution, particularly that of Authorities in the South East, is also significant.

EDDINGTON TRANSPORT STUDY

Governance

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

Q. 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?

Q. 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?

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

Convening

Q. 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?

There will always be a need for co-operation on transport issues, however this is best delivered through a partnership of Local Authorities rather than Regional Transport Bodies. The South East Region does not operate as a coherent area either in terms of transport or its economy – the solutions to the problems we face are nearly always sub-regional. Current arrangements are unaccountable, undemocratic and neither accepted nor respected fully by all local authorities.

The structures needed for co-operation between top-tier Authorities are already in place. Funding should be allocated through the Local Transport Plans (LTPs) which would provide assurance that the correct outcomes are being delivered. Multi Area Agreements can also be used to bind together Local Authorities and Partners.

Whilst discussing funding through LTPs it is worth recording the problems faced by Local Authorities on the grant floor. These Authorities are unable to take up all of their funding allocation because they no longer receive support from government towards the cost of borrowing. In Hampshire, it is proposed not to take up £5.7m of the nearly £20m SCE allocated through LTP2 in 2007/08. Similarly in East Sussex, £4.7m will not be taken up over the two years of the current settlement. The alternative, of financing the full amount of allocated borrowing, has similarly negative consequences. West Sussex would need to borrow approximately £10m in 2007/08 to sustain investment in the highway network in line with DfT guidelines. This would cost £0.9m that could otherwise be used to support service expenditure or to reduce council tax bills.

The proposals to extend the control of Local Authorities over transport are welcome. The transfer of powers from the PTE would be a good first step but proper integration would require greater democratic control of the Highways Agency and the Rail Authorities. Any proposals for demand management also

need to be co-ordinated locally – it is pointless to consider road pricing in isolation from public transport. The LAA provides a useful mechanism through which to develop this greater co-ordination.

Transport investment has been bedeviled over the years by frequent changes of rules/responsibilities leading to much "stop/go" planning and waste of resources. Government now needs to keep future spending plans as constant as possible (and not reduce the funding envelope available or change the rules), so giving scheme promoters a much higher level of certainty about what might be funded and when. More government prescription on "how to prioritise" would be unwelcome for this reason.

Funding

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

Q. 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?

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

Eddington recommends focusing investment on areas where congestion and economic growth are highest and specifically growing urban areas; key inter-urban corridors; and key international gateways. That must mean an increase in the proportion of resource spent in the South East, including on the A27 which we would welcome. However, this also creates a very strong argument for allowing PGS to be spent in the (county) area where it is generated - since those are the places that are growing.

Eddington also recommends pursuing small scale investments that have the highest return, and highlights that walking and cycling schemes can score particularly well in this regard. Unfortunately, the Government's failure to provide revenue support for "supported borrowing" - particularly for authorities in the South East where economic growth is highest - means that these are precisely the schemes that authorities here are having to cut.

BARKER REVIEW OF LAND USE PLANNING

Governance

Q. 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?

Q. 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?

Q. 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?

Convening

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

County Councils' ability to co-ordinate housing at a sub-regional level were reduced to an advisory role in the last Planning Act. This Act was predicated on a move to elected Regional Assemblies and the creation of new unitary authorities beneath them, which was Government policy at the time. The situation now is that unelected Regional Assemblies identify levels of housing at a regional level which are then passed straight down to District Councils. Local Authorities are continuing to make the system work by joining together to influence the Regional Assembly and by cooperation at a county level. However this makes the system more complicated than it needs to be and simply demonstrates the ability of Local Authorities to co-operate without other bodies.

The move to an independent Planning Commission is another step towards removing planning from democratic control. How can Local Authorities place shape when local decisions – housing allocations as small as 500 houses – will be taken by a remote body?

From a planning perspective, the key issues relate to the funding, prioritisation and decision-making over infrastructure and other investments. Making the right decisions at the right level of government is important, but moving key decisions further away from local communities denies them a chance of expressing their concerns about how major investment, an airport extension for example, would affect them.

The South East has suffered from the introduction of new development without supporting infrastructure. This has a considerable impact on the South East's ability to continue to make a substantial contribution to the National Economy which funds other areas. The South East counties have sought to make the infrastructure requirements of the South East Plan part of the Plan and therefore give them statutory backing. We would welcome the opportunity to include the Implementation Plan in a Multi Area Agreement. However the Government is

seeking to argue at the Examination in Public that the Implementation Plan is not part of the South East Plan. These problems will only increase under the proposed Planning Commission.

Funding

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

Q. How should the empty property relief in business rates be reformed? How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system? Would any local flexibility on such measures be desirable?

Local Authorities should be given the proper incentives to grow their tax base. The Local Authority Business Growth Initiative (LABGI) provides a limited financial reward for increasing the rateable values of the business sector in an area. However, the scheme is complex, the sums involved relatively small and the balance of reward in two-tier areas is questionable – with two-thirds of any extra grant accruing to districts and one third to the county. The County Council's LABGI income for 2006/07 represents only around 0.6% of our gross spending.

The calculations required for LABGI need simplification and more money should be redistributed. County Councils are generally responsible for 80% plus of local authority spending in their area and have a major impact on economic development both directly and indirectly via education, training and transport etc. Hence we believe the respective shares to districts and counties from LABGI should be reversed.

Any measures that would provide local authorities with powers to provide financial incentives to influence development on brownfield sites etc would be welcome. Recognition of the principle of a shared interest and responsibility for both counties and districts in exercising any such power would also be welcome.

LEITCH REVIEW OF SKILLS

Governance

Q. 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?

Convening

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

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

Q. 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?

Funding

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

The principles of the Leitch report – that a more skilled workforce is needed and that a skilled workforce will be able to flourish in a changing environment are sensible. However the mechanisms proposed to get there seem to be wholly misconceived. The report professes the welcome view that existing structures should be built on and improved through simplification, rationalisation, performance management and clearer remits. However it then goes on to propose a new set of Regional Quangos – the Employment and Skills Board – to work alongside the existing LSC.

The thinking behind these new Boards is also confused. The report rejects a demand-led approach based on predictions of skills needs but then sets up the Boards to gather businesses views of the skills needed. All this will do is consume time and resources. Businesses really do not want to be involved in the operational issues, they simply want a skilled workforce.

The best opportunity for improving skills is to work through existing local partnerships where a holistic view can be taken. Funding should therefore be channelled through the LAA. If there is a need for Boards they should be set up as sub-partnerships of the Public Service Board running the LAA.