

**Graham Ellis
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This matter is being dealt with by:
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Date: **Thursday, 18 January 2007**

Sir Michael Lyons
Lyons Inquiry
Room 3/12
1 Horse Guards Road
London
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Dear Sir Michael,

Thank you for the opportunity to contribute to your additional consideration of the Eddington Study and Barker and Leitch Reviews.

I enclose the City Council's response on the additional questions you raised. In particular I would draw your attention to:

- Our view that the re-localisation of the business rate is an essential component of effective place-shaping in the context of economic development;
- Our concern that in London local authorities have insufficient influence on transport planning;
- And our related concern that significant transport initiatives can appear to be planned and delivered without sufficient attention to the local economic and community impact.

Please do not hesitate to contact the City Council if you would like further information on any of the points made in our submission.

We look forward to the full publication of your report shortly.

Yours sincerely,

Graham Ellis
Director of Policy & Communications

WESTMINSTER CITY COUNCIL RESPONSE TO QUESTIONS RAISED ON THE LEITCH, EDDINGTON AND BARKER REVIEWS

SUMMARY

The key points from the City Council's perspective are:

- Re-localisation of the business rate is an essential component of effective place-shaping in the context of economic development. It will provide a clear link between businesses and the local authority and a basis for mature dialogue as well as ensuring a direct relationship between the local economy and the funding of services supporting that economy;
- We consider that in London local authorities have insufficient influence on transport planning and the development of significant transport initiatives which are dominated by Transport for London;
- This, in our view, tends to reinforce the tendency that initiatives such as CrossRail are planned and delivered without sufficient attention to the local economic and community impact;
- We are especially concerned as a London borough that the current GLA Bill reduces the ability of London boroughs to respond to their constituents and the local environment, constraining their ability to act effectively as community leaders;
- Learning & Skills Councils need to provide discretionary funding to support key areas of 14-19 activity which vary significantly between local authority areas – such as employer engagement and the provision of vocational opportunities.
- It would be helpful if the Inquiry addressed some other problematic funding issues including the resource benefits to local communities arising from local road pricing; financial incentives from new housing and development that will benefit local authorities; future funding arrangements for concessionary fares schemes and bus operators and the adverse impact of the proposed Planning Gain Supplement.

OVERALL QUESTIONS

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

In relation to economic development, and to other activities identified by the Inquiry as fundamental to the 'place shaping role', it is important that local councillors are properly recognised as democratic representatives exerting strategic influence over the full range of local services. The new provisions of the Local Government Bill and background discussion in last year's White Paper around a greater role for ward councillors and for the scrutiny function as well as requirements around participation by local agencies in local strategic partnerships and Local Area Agreements are welcome steps in this direction but we would argue that greater powers are needed. For example new powers to hold agencies to account via scrutiny do not appear to encompass housing associations or key local organisations such as the Post Office.

In London the Mayor and Transport for London exert a huge influence over transport (which is inextricably linked to economic prosperity), through control of London Underground and London Buses but also through the very detailed Mayor's Transport Strategy and associated Local Implementation Plans which enable them to largely control the purse strings. This is particularly marked in central London where more people use public transport and where the Transport for London Road network and Strategic Road Network are more concentrated.

There is also a need for a revised process to obtain compulsory purchase powers. Despite recent revisions, it is still a long and complex process to get a successful compulsory purchase order for planning or highways purposes and yet for some reason, the procedures under the housing acts are much easier. It does not make sense to have separate and different procedures (which encourage siloed activity), when they all aim to improve the local area in similar fashion.

Local authorities need a power to encourage the implementation of planning permissions, for both housing and commercial development. Although the life of planning permissions has been reduced from 5 to 3 years, it is relatively easy to simply renew the permission and only very rarely can the local authority reasonably refuse a renewal.

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?

Clearly there are variations. Most obviously Westminster is significantly affected by the operation of the Greater London Authority and its associated bodies such as the London Development Agency and Transport for London. The Mayor is largely responsible for transport rather than individual local authorities. The Mayor also has a role in determining major planning applications, including those that cut across local authority boundaries. The current GLA Bill will have the effect of increasing Mayoral powers and as drafted severely reduces local accountability, threatens the ability of London Councils to respond to the needs of their local environments and constituents and runs contrary to the general devolution agenda that the Government is moving towards. We would hope

that the Inquiry will consider the implications of the extension of the Mayor's powers in the areas of planning and housing.

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?

The link between businesses and their local authority was cut when the current NNDR system was introduced. This link needs to be restored. Both local authorities and businesses need to have incentives to engage with each other. The City Council has three Business Improvement Districts within its area and these are working very well in providing additional resources to improve their areas, but working despite the exclusion by law, from the ballot process of property owners.

In Westminster, a significant proportion of new housing that is built is bought by investors, often from overseas. The Far East is often a favoured marketing location for developers. Some of these properties are let out, but many are simply kept empty, the investors relying on the capital uplift to generate their return. This housing is therefore not contributing to the City Council's or the government's drive for new housing. The City Council would be interested in powers to require this housing to be bought into use, either through requiring the owners to let the property to bona fide residents or by having simplified Compulsory Purchase Order powers to allow for the purchase of the property which then could be sold back onto the open market or on to a Registered Social Landlord.

In considering transport schemes, the beneficial impact of the scheme on the local economy should be taken into account as an integral part of the scheme, rather than just the transport benefits. For example, the rationale for the Cross River Tram in London is to provide a direct transport route from the deprived parts of south London into Central London to increase the number of job opportunities for them. It also happens to make sense in transport terms, but this was not the primary consideration for the scheme.

Finally we entirely support the drive launched by the Government in the Local Government White Paper to reduce the number of targets and performance indicators on which local authorities report. As has been well-rehearsed in recent years the number of these distracts from a focus on local issues as well as in many cases measuring the efficiency of the process, rather than the quality of the outcome.

LEITCH REVIEW

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?

Local Authorities now have a duty to produce a 14-19 Strategy (14-19 Implementation Plan DfES 2005) in collaboration with the Learning and Skills Council, Schools, FE Colleges, Work Based Learning Providers, Connexions and other relevant bodies. The

Westminster 6F 14-19 Partnership has produced a 14-19 Strategy and works well as a collaborative partnership for the planning and delivery of 14-19 education.

The Learning and Skills Council is responsible for the funding of post 16 education and training including school 6th forms. This is broadly working well although schools need increased clarity and simplicity in the funding formula in order to facilitate their budget planning and provision. In the 14-16 phase the current funding arrangements through the local authority again work well and no changes are desired. However substantial costs are being incurred in the development of 14-19 initiatives: the co-ordination of partnership work, the development and provision of 14-16 vocational opportunities, employer engagement and improving information advice and guidance.

There is a crucial need for the Learning and Skills Council to provide discretionary funding to support these elements. Demographic and institutional differences require differentiated support amongst diverse local authority areas. The Learning and Skills Council needs to ensure its funding is focussed locally in support of local 14-19 strategies recognising that the local authority is best placed to take the role of lead partner in convening and governance.

What are the merits of the different options for managing the division of these responsibilities?

Employers need to be at the centre of this relationship and should be incentivised to engage with the City Council and the Learning & Skills Council – possibly through the establishment of the local Employment & Skills Boards proposed in the Leitch Review. The process need to be simple and non-bureaucratic.

Convening

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

Sector skills councils should drive the themes with improved level of devolved info regarding skills needs and vocational pathways, leading to what will be the new diplomas.

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

Local authorities should be at the centre of such development. For example Westminster is re-launching its Education Business Forum which will involve local employers who can provide comment on the particular labour market requirements of the local economy and sectors. The views of this Forum and other similar fora can tie into the sub-regional Skills Board which is being established by the Mayor of London and proposed for other areas by Leitch.

What role should local authorities play in the proposed Employment & Skills Boards, to ensure skills and employment issues are properly linked to wider work on economic prosperity and development?

Through the Mayor's new powers, a similar arrangement is being established in London bringing together the regional development agency, the Learning & Skills Council and

employers. At present there is no proposal for Local Authority representation on this board which is an omission that needs to be addressed.

Along with a number of other authorities, Westminster City Council plays a key facilitating role between a range of stake holders involved with skills and employment support provision including schools, colleges, employers, voluntary providers, job-brokerage services and mainstream providers - JobCentre Plus and the LSC.

Through their economic well-being powers and local leadership roles, local authorities could play an integral role in the Employment & Skills Boards. In summary some of the functions which local authorities could undertake to support the Boards include:

1. Using local knowledge to identify demand, beneficiaries & local priorities – skills, training and employment need vary considerably across neighbourhoods and local authorities are well placed to provide intelligence to the ESBs.
2. Encouraging employer participation on ESBs – through programmes such as Business Improvement Districts and other initiatives between local authorities and the private sector, councils can encourage employer involvement on local Boards.
3. Commissioning work on behalf of ESBs – through Local Area Agreements local authorities are already responsible for managing budgets and the commissioning of local skills and employment initiatives.
4. Co-ordinating consortia of local agencies involved with employment and skills provision – through their Local Strategic Partnerships, a number of authorities, including Westminster have established networks of local providers ensuring more effective delivery and co-ordination of services to local residents.
5. Working with other local authorities through existing sub-regional partnerships - local authority borders aren't necessarily the most appropriate units to deliver skills and employment programmes. There is potential to harness cross-borough partnerships (e.g. the Cross River Partnership involving Lambeth, Southwark, the Corporation of London and Westminster) to provide strategic co-ordination.

Funding

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

The Leitch report makes a number of significant proposals and extensions to programmes (e.g. increase in apprenticeships) which will require resourcing. As the proposed ESBs will be responsible for the management of budgets to employers, individuals and to Learning & Skills Councils it does not appear that there will necessarily be significant implications for local authorities arising from these proposals.

If local authorities, however, are given particular responsibilities such as those identified above then additional funding will be required to co-ordinate, manage and publicise local services on behalf of the ESBs. It is important that there is appropriate oversight via the London Assembly and London Councils of the priorities and budgets for the new London statutory skills strategy which will be set by the Mayor.

Most local authority skills and employment activities are funded through non-mainstream provision (such as European funding, NRF monies and area-based initiatives) and the focus is on filling the gaps left by mainstream funding in their community. It will be important to ensure that some disadvantaged groups are given support that may initially result in non-vocational outcomes but will make them ready to enter and succeed in mainstream training and employment provision.

Re-localising a higher share of business rates would be one way in which a number of the Leitch recommendations could be taken forward, particularly in regard to supporting local employers and small and medium enterprises. Alternatively authorities should be encouraged to utilise their LABGI proceeds to support these initiatives.

EDDINGTON REVIEW

As pointed out above as a London Borough, Westminster has little direct responsibility for transport, instead this lies with the Mayor/TfL (and with Network Rail/Department of Transport in respect of the main line railway services). Much of the Eddington report does not apply therefore to Westminster. However, the City Council would like to make a number of points:

London needs CrossRail to maintain its global position, but the procrastination of the Government and the long drawn out method of its approval process underlines the need for a much quicker decision making process. The government has still to commit to funding the scheme and has stopped short of the obvious method of using a supplementary business rate to help pay for it.

The City Council has been forced to formally petition the CrossRail Bill to ensure that it has basic environmental controls over the construction of the scheme. This is a time consuming and lengthy process but one forced upon it because of the unwillingness of the promoter to listen to reasonable arguments and the way the Parliamentary Bill works.

Improvements to the transport system are not an end in themselves but a means to an end – e.g. for more people to get to work or visit a shopping centre. Often transport improvements are assessed solely on their transport merits, not on the impacts of the improvement itself. The construction of the Heathrow Express into Paddington has led directly to the development of over 1m sq ft of commercial space, occupied by 7,000 employees and nearly 1,000 new homes. However the case for the scheme was made solely on number of passengers using it to get to and from Heathrow.

The proposals in Eddington for considering new projects should allow for the proper recognition of the impact of their proposals and their mitigation. But they should also acknowledge the significant infrastructure gap that is created by the growth in the use of any system that takes place at either end of the proposed new project. For example, the arrival of the Channel Tunnel Rail link at Kings Cross/St Pancras later this year will create new demand for travel by bus and tube to and from the terminal. Existing transport operators have to be able to respond to these pressures as well. The same issue arises with any significant airport developments in the south-east.

There are a number of stages in providing transport infrastructure improvements;

- The initial analysis of trends and usage to identify the need for improvements in the first place.
- The formulation of proposals to meet these demands
- The environmental and economic impact of the proposals
- Adjusting the proposals in the light of these impacts and the committing to the project

The responsibility for these stages is taken by different parts of the public sector – often the local authority will identify the need for transport improvements, and then some other part of the public sector, often central government, needs to be convinced and then develop a proposal. The time lag between identification and proposal will be such that development will have happened in the area to change/exacerbate the nature of the problem. Equally the proposal will be sponsored by a transport body that will not consider marginal changes to the project to gain other economic and environmental benefits. For example, CrossRail will run through some very deprived communities and it offers opportunities for employment and local business to benefit from construction-related contracts. But the City Council and other local authorities have struggled to get CrossRail to acknowledge or respond to these wider benefits of the project.

It is not clear that the Barker and Eddington reports clearly understand the relationships between the various part of the public sector and also between land use and transport - particularly that changes in land use that generate the need for transport improvements. The current consultation on the Planning Gain Supplement, with its plethora of consultation papers and the criticisms of the LDF Plan making system, introduced by the government only recently, seems to bear this out.

Governance

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

The Planning Gain Supplement proposal will make this more difficult as it replaces the provision of facilities with a financial payment direct to the government. The Pre-Budget Report indicated that 70% of these revenues would be returned to the local authority in which the planning gain supplement income was raised. Wherever practical the remaining 30% should be invested within the same sub-region in strategic infrastructure and transport projects likely to benefit residents of and commuters into the authority in which the PSG income was raised.

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?

Westminster's experience is that local authorities work well together in partnership on transport issues and that there is a broad consensus around ultimate transport policy objectives which already underpins positive dialogue and planning between councils.

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?

Please see our comments below on partnership working and the wider context for transport initiatives.

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

Convening

How can local authorities make the links between transport and other elements of economic development and quality of life most effectively at the local level?

Funding

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

What transport funding sources are most appropriately managed by local bodies? What would be the most appropriate incentives to encourage the adoption of demand management options at local level?

In London responsibility for road pricing and strategic transportation lies with the Mayor and Transport for London. Policies in relation to parking, highways and concessionary fares schemes should remain within the borough remit whereas the GLA should quite logically take the lead on major transport infrastructure projects where the benefits will accrue to a number of boroughs. Alternative and innovative funding arrangements need to be developed to ensure that essential major long term infrastructure projects such as Crossrail are delivered and are not delayed by political dithering or short term funding shortfalls. These proposals should be developed in partnership with the business community and local authorities.

It would however be helpful if the Lyons inquiry addressed the issue of funding for concessionary fares schemes and bus operators in light of the introduction of free local off peak bus travel for pensioners and the disabled irrespective of their place of residence from April 2008. The administrative arrangements associated with this change could prove extremely complex if a robust funding, ticketing and monitoring system is not put in place in partnership with local authorities and bus operators. The implications of any resulting turbulence within the grant distribution system must be considered as the majority of concessionary fares support is currently provided via formula grant.

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

Westminster remains concerned that road pricing can be introduced in a single borough by the Mayor despite the fact that there may be significant opposition from local residents and the local Council and the proceeds arising from this can be applied anywhere across the 33 London boroughs.

We remain to be convinced that the financial and environmental 'dividend' from the congestion charging scheme is being delivered to local communities. In Westminster's view there is a case to be made that a proportion of road pricing and congestion

charging proceeds generated within an individual borough should be shared by the GLA with the local borough council so that the funds can be invested in local transport projects and to support concessionary fares and subsidised transport for the elderly and disabled. This would ensure that a proportion of the proceeds of any road pricing scheme are invested for the benefit of residents in the areas paying the charge.

BARKER REVIEW

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 Reviews recommendations on the use of green belt land?

S54A of the Town and Country Planning Act already gives sufficient flexibility – if a proposed application is contrary to some aspects of the development plan but generates substantial benefits that meet priorities in the plan, then this section gives the local authority scope to grant it planning permission.

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?

Local authorities should be statutory consultees, and probably be represented on the Commission. There needs to be very clear criteria to determine when an application is determined by the Planning Commission rather than the local authority. The Commission should hold its deliberations in public, and perhaps should hold a focused public inquiry into the proposed development. This should not cover whether the development is needed in the first place, but whether it is acceptable in terms of its positive and negative impacts.

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?

A local authority is only able to determine a planning application for a site within its own area. Sites that cross local authority boundaries (such as Kings Cross) require separate applications. Legislation would be required for cross-borough Planning Committee to determine application, or in London the Mayor would be likely to determine the application.

Convening

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

The use of the planning system to provide affordable housing has meant that local authority planning and housing developments have been working closely together for

some time. Planning and transport are inextricably linked and it would be helpful for the government to re-connect planning and transport together. However, the current consultation on PGS further emphasises the gulf between central and local government on understanding how impacts of growth can be catered for by the planning system.

Finance

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

Westminster City Council considers that the most effective and practical means to ensure that authorities to support appropriate growth is to relocalise the business rates system supported by a regional redistributive mechanism similar to that which existed prior to 1990. This would restore the link between local businesses and local authorities and ensure that business rates generated in London could be utilised for initiatives of direct benefit to the employees and businesses in the 33 boroughs.

If this is not deemed practical then we would support an enhanced and reformed local authority business growth incentive scheme which would provide all local authorities (irrespective of their historic growth levels) with the opportunity to generate additional resources to support regeneration and economic development.

There should be a financial incentive that allows local authorities to benefit from permitting new housing and commercial development because such developments will impact on the local authority. In addition, consideration should be given to ringfencing a proportion of the Stamp Duty to the local authority when buildings in their area are bought and sold. This would recognise the fact that the local authority has created an environment where business and residents want to buy and sell property. Alternatively, this could just be required on new developments.

The fees for planning applications should be increased so that they contribute more to the cost of their determination. In 2005/6 the cost of the planning service (covering development control and plan making) cost the City Council £12.7m and yet it received only £1.6m in planning application fees. It costs only £135 to submit an application to carry out alterations to a house, which is likely to be an insignificant sum compared to the cost of the actual works. The proposals in Barker do not go far enough. The Local Government White Paper suggested the freedom for local authorities to set their own fees, and this should be progressed.

The proposed Planning Gain Supplement will not work well in urban areas because it will be more difficult to calculate the uplift in value created by the granting of planning permission, especially for small to medium sized schemes. On larger schemes, the PGS will replace much of the "softer" s.106 requirements, such as community spaces, getting local people into work etc and will remove the link between the development and projects to maximise the non-physical regeneration gain of the development. This seems contrary to government policy and the stress being laid on local authorities' roles as community leaders and place-shapers. At the very least all PSG revenues generated within a local authority area should be applied in the same sub-region and divided on a fair basis in London between the GLA and boroughs to ensure that more local transport improvement initiatives as well as major infrastructure projects are also adequately funded.

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?

Westminster has no specific views as to how the business rates empty property relief might be nationally reformed. The current system is well understood and well established and we consider that any changes introduced must offer clear and demonstrable improvements over the current arrangements. There will inevitably be unforeseen consequences as a charge on vacant buildings and sites will distort the market to some extent.