

Lyons Inquiry consultation: Promoting Economic Prosperity; implications of the Eddington, Barker and Leitch reports

24 January 2007



Introduction

- This submission to the Lyons Inquiry follows the contribution to the Inquiry that the LGA published in December. This set out a new vision for local government finance. Our document 'Closer to People and Places', published in May 2006, summarised the radical reforms that we seek: to realise the economic potential of cities and the counties and towns of shire England, by devolving powers over the levers of economic growth – skills, transport, planning and housing – to highly visible, accountable and democratic leaders.
- This submission focuses on our headline reactions to the central question that Sir Michael poses - in the context of the recently published Eddington, Barker and Leitch Reviews: do local authorities have the powers they need to effectively undertake their place-shaping role, particularly with regard to pursuing economic prosperity? We do not seek to provide an analysis of the full scope of the three reviews, nor to respond to every issue that they raise.

The economic case for devolution

We believe that the issue at the heart of this debate is how we can realise the economic potential of cities, counties and regions – and give councils the powers they need to pursue place shaping and economic prosperity.

The LGA's analysis shows that:

- there is hard economic evidence that it is at the geographical level of the city, the city region or shire (with its counties and districts) that the economy functions.
- that below national level, it is councils, often working together, that hold the democratic legitimacy, vision for an area, and local evidence base, to convene partners and lead decision-making.

78% of journeys to work are shorter than 40 minutes. 70% of house moves take place over less than 20 miles. Industrial clustering takes place at city level, around a transport hub or in a shire. And labour market issues such as skills gaps reflect labour demand from those local clusters. Therefore decision-making, powers and funding must operate at the same sub-regional level, particularly in relation to the labour-market and skills, economic development, transport, housing and planning.

The governance arrangements and decision-making arrangements should vary depending on the nature of the decisions local partners make together – which we call differential devolution. The test of whether a proposed governance model is fit for purpose should be based on objective criteria rather than whether or not it follows a specific model.

Regional economic bodies – Regional Development Agencies and the Regional Assemblies they report to – can play a significant role in sub-regional economic development. They are welcome and often indispensable partners in much local and sub-regional economic work. Many councils value their RDA relationships. What gives RDAs their value is when they operate with a recognition that it is the relevance and quality of regional strategies and the appropriateness of targeting regional action. Their strategic role can be evident when an issue crosses two or three regions – for example trans-regional transport.

Submission

The LGA will shortly publish a much fuller account of this analysis, the details of the powers and funding needed and a fuller exploration of the governance issues, with proposals to implement specific devolution to local and sub-regional governance arrangements.

The place-shaping role of local authorities

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

All three key proposals in our December 2006 submission to the Lyons Inquiry are, we believe, key to place-shaping and the successful pursuit of economic prosperity:

- A redesigned central-local government relationship based on a ‘single conversation’ about all local public spending and how it is financed: this is critical in the context of the Barker, Leitch and Eddington reviews because it would allow resources to be distributed in a way that could deliver national priorities with appropriate regard to local impact across diverse areas such as planning, skills and transport;
- An Independent Public Finance Commission, devolving tasks from Government that are essentially administrative, providing a framework for setting fees and charges in a way that could deliver incentives for economic development that responded flexibly to local needs, and greatly strengthening the connection between the raising of business rates and the funding of local public services and economic development;
- Enhanced models of local leadership and management of public finances based on the concept of a single local budget: these would provide the mechanisms necessary to deliver national outcomes with the best match to local needs and optimized value for money.

These proposals, together with the more systematic devolution of powers and governance arrangements on labour market intervention, skills development, passenger transport and housing, form the core of the additional powers councils need. We have set these out in an initial paper that responded to the Local Government White Paper – “Prosperous communities – beyond the white paper” and will set out detailed analysis in our forthcoming report.

The Local Government Bill currently before Parliament addresses some of these issues but does not go far enough. For example, the proposed new model for Local Area Agreements (LAAs) would not allow local partnerships the ability to steer all mainstream as well as area-based funding, and leaves in place much unnecessary and constricting ring-fencing of funding streams.

In the context of the Eddington, Barker and Leitch reviews, the following sections set out the powers for transport, planning and land use and skills that councils need to fulfil their place-shaping roles to pursue economic prosperity.

Eddington review – transport

The Eddington review presents a thorough analysis of the role of transport – and we agree with its identification of the key role of transport in impacting on GDP, supporting structural change in the economy and improving quality of life. Its central theme is to shift transport policy, so that priorities are decided according to strong economic principles. We believe, however, that there is less of a need for a strict national menu of investment priorities. Rather, the methodology for appraising projects needs to be right so that it is not too narrow and can reflect the wider external influences generated by some schemes such as environment protection or potential for regeneration.

The most significant element of the Eddington report for councils’ role in place-shaping and pursuing economic benefits is his view that transport decisions must be made by partnerships and joining-up at the sub-regional level, and be made across different modes of transport, as part of the totality of decisions

about the local economy. Our own analysis shows that transport, along other parts of the economy, does indeed work sub-regionally: 78% journeys to work are shorter than 40 minutes.

Joining up decision-making on economic issues locally is central to the place-making role. Councils are able to lead this locally or at the sub-regional level – in partnership with other councils – as they have the local knowledge base, the democratic legitimacy, and the cross-cutting vision. To make this work, councils need:

- powers over local/sub-regional transport as a whole, including greater powers over rail and road transport (including devolution of powers from the Highways Agency for non-motorway roads), and over buses, which the Government has already promised and the Eddington review has endorsed;
- the money to invest in the shift from one mode of transport to another, to take account of the behavioural changes caused by road pricing. This would include up-front investment before road pricing is introduced, as well as being allowed to recycle the income from road pricing income
- new council-led sub-regional transport planning, enabling issues to be addressed effectively where sub-regions cross Regional boundaries, supported by adapted Local Transport Plan and Regional Funding Allocation systems.

Barker review – planning

The Barker review's focus on the potential of planning to deliver economic benefit is welcome, as is her emphasis on ensuring that councils are able to use the planning system as a flexible and effective tool for economic place-shaping. We also welcome the deregulatory thrust of her report, ensuring that at a national level policy making, prescription on process and involvement in decisions is confined to what is genuinely necessary.

However the Barker review does not get to the heart of the issue – tackling the barriers to councils being able to effectively manage economic growth. As we will be arguing in our forthcoming paper, if councils are to overcome the blockages to investment, they must have stronger incentives and more leverage over the range of infrastructure funding schemes. To achieve a planning regime which enables councils to carry out their place shaping role, and to pursue economic prosperity, there needs to be:

- vigorous implementation of the review's recommendations for curtailing the national role in policy, process prescription and decision-making;
- councils able to have stronger leverage over public infrastructure investment;
- councils retaining all revenue from the planning gain supplement – instead of 30% going to a regional tier which has no clear institutional basis and will certainly not be democratically accountable
- a successor regime to the planning delivery grant to support local improvement on planning issues which matter most in particular localities;
- freedom for councils to charge appropriate levels of fees;
- a limitation on the role of the proposed Independent National Commission to the most significant applications of genuinely national strategic importance, and with a strong and visible role for councils and the people they represent.
- recognition and support for development of local Member and officer capacity and skills in handling planning issues, and of the LGA's role in leading the sector.

In line with our forthcoming proposals, these powers would enable councils to manage the planning and delivery of necessary infrastructure beyond individual council boundaries and as groups of authorities. We are also undertaking a more detailed programme of work which builds on the wider aspects of planning in the Barker review in the run up to the planning white paper expected in the Spring.

Leitch review – skills

Of the three reviews, Leitch offers least to councils and localities in terms of the devolved powers they need for place shaping and pursuing economic prosperity. Leitch's vision – to deliver a more appropriately trained workforce, with ambitious targets for 2020 – is one that the LGA shares.

We also share his analysis that the skills market needs to be more responsive to employer and learner demands, and that this needs to be joined up locally, although the review underplays the potential difficulties arising from the fact that these demands may not always be the same. Within Leitch's proposals, the area where councils would find

their biggest opportunity to contribute to tackling local skills shortages would be through the planning of skills provision in their role as major employers in every locality. The LGA wants councils to take their responsibilities seriously in this regard – however enabling them to contribute as place shapers is, in the end, more important.

However, as with the Barker review, Leitch does not get to the heart of the issue – how the skills market will meet the demand of learners and employers. Leitch proposes an employer-led Commission for Employment and Skills, with local bodies subsidiary to this, with little local discretion and without their own budgets. This is not, in our view a practicable or effective solution.

We believe the solution lies in:

- ensuring that the supply of skills must be organised at local and sub-regional levels because of the inherently local and sub-regional nature of the labour market and the demand it generates, based on the economic analysis we will publish shortly which will set out the menu of powers that councils would want to see available to sub-regional partnerships and options for the models of governance to ensure accountability;
- recognising and building on councils' existing strategic leadership role for local education policy, and their wider role in joining-up and place shaping. Leitch's proposals restrict councils' role to focusing on adult skills. This threatens to result in a dislocation across education and adult skills. This is unfortunate as it is widely recognised as being important to ensure that policy and provision are as seamless as possible for both learners and employers;
- giving councils the strategic lead to work with employers and providers to meet demand. Councils are able put in place and lead the frameworks which help employers play a greater role. They can bind employers into local regeneration and inward investment programmes, and they can use their local knowledge to define accurately skills' needs and respond swiftly to them.

On the wider Leitch agenda, we are exploring how proposals in the further education and training bill fit with what Leitch proposes, as well as undertaking a programme of work on adult skills.

Conclusion

Overall the three reviews, though they have much which we welcome, do not propose sufficient devolution of powers to local and sub-regional levels to enable councils to undertake their place-shaping role and to secure for their communities enhanced economic prosperity.