

BACKGROUND

G.1 Efforts to promote the long-term sustainable economic prosperity of this country – properly balanced with environmental and social concerns – are a key part of the place-shaping role of local government. I identified that in both my *Interim Report and Consultation Paper* in December 2005, and in *National prosperity, local choice and civic engagement* in May 2006. In order to pursue my interest in the issue I have undertaken various pieces of internal analysis and research, and in addition I held a major conference in September 2006, and explored economic development issues in a series of case studies around the country. All of those pieces of work identified transport, planning and skills issues as significant influences on local economic prosperity, and issues on which local authorities have an important contribution to make.

G.2 As a result, it was always clear that the work and conclusions of three contemporaneous reviews on those subjects – Kate Barker’s Review of Land Use Planning, Sir Rod Eddington’s Transport Study, and Lord Leitch’s Review of Skills – were going to be of great relevance, and I met all three to discuss their work during the course of 2006. The request from the Chancellor and Secretary of State for Communities and Local Government to take a short additional period to consider the implications of those three pieces of work for local government, and to make appropriate recommendations, was therefore welcome, and has allowed me to build on my original thinking on the subject.

G.3 To supplement my own work, and the reports published by Barker, Eddington and Leitch, I held a short period of discussion with stakeholders, to which I received over 130 responses. I am most grateful to all those who responded. As might be expected, the majority were from local authorities and associated organisations, but I also received a significant number from individual businesses and representative organisations, professional groups and experts. All those who responded are listed as part of the acknowledgements in the main report. I also convened three expert seminars for more detailed discussions, all of which also proved extremely useful. I would like to thank all those who attended for their input.

G.4 As a result of this work, the main body of this report sets out my conclusions on:

- the role of local government in relation to land use planning, transport and skills, and the changes that Government can make to ensure that local government can play its full part, either through its direct responsibilities and power, or through its wider convening role;
- the wider issue, relevant to all three pieces of work, of how we can enable our system of government to respond flexibly to the complex and fluid patterns of economic activity. As set out there, I have concluded that flexible, locally developed, arrangements – tested by the Government to ensure their robustness and credibility – are the best way to proceed; and
- how changes to the finance system – principally new flexibilities to raise revenue for investment at the local level, in partnership with the business community, and better incentives to foster prosperity and support growth – can contribute to the economic growth agenda.

G.5 This annex is intended to briefly summarise the key issues – across the breadth of the three reviews – that were raised in submissions and in discussions, and which contributed to my conclusions.

THE BARKER REVIEW OF LAND USE PLANNING

Background and recommendations

G.6 The Barker Review was set up in 2005 to consider how, in the context of globalisation, planning policy and procedures could better deliver economic growth and prosperity alongside other sustainable development goals. The Review's interim report was published in July 2006.

G.7 The Review's final report, published on 5 December 2006, aims to create planning policy and processes that give appropriate weight to economic benefits, are more responsive to changing circumstances (including environmental pressures), and deliver decisions in a more transparent and timely manner.

G.8 It recommends:

- ensuring the planning system and plan-making takes better account of the benefits of economic development and job creation ;
- streamlining policy and processes through reducing policy guidance, unifying consent regimes and reforming plan-making at the local level;
- greater certainty, by reducing ministerial call-ins by 50 per cent, speeding up the appeals processes and introducing individually tailored delivery agreements between planning authorities and developers;
- encouraging local authorities to work together, and in the medium term considering how strategic planning powers can be operated at a level which better aligns spillovers with administrative boundaries;
- encouraging planning bodies to review their green belt boundaries;
- considering how fiscal incentives can be provided to local authorities to support appropriate development;
- introducing a new system for dealing with major infrastructure projects, based around national statements of strategic objectives and an Independent Planning Commission to determine applications; and
- considering enhancing fiscal incentives to ensure an efficient use of urban land, in particular by reforming business rate relief for empty property and exploring the options for a charge on vacant and derelict previously developed.

Summary of views

G.9 The most significant issues raised in the discussions I undertook around the Barker Review centred on the role of the planning system, and possible changes to it; the tensions between local, regional and national decision-making and flexibility; and funding issues, particularly the use of Section 106 and the proposed Planning-gain Supplement.

Role of the planning system **G.10** Stakeholders were generally supportive of the principles and objectives of the planning system, and its focus on ‘plan-led’ development. It was clear from discussions in the seminar that there are many complex issues which planning authorities have to test, balance and resolve in developing plans, and making individual planning decisions. A host of sometimes conflicting views and interests have to be balanced – between the environment and the economy, the interests of existing investors and those of future investors, and between the interests of local communities and wider regional and national interests.

In supporting economic growth a clear recognition of environmental and social issues needs to be fully understood and managed... The aim should be for an integrated approach that takes forward economic, social and environmental objectives in a coordinated manner to further sustainable development. (Basingstoke and Deane Borough Council)

G.11 There is not necessarily a ‘right’ answer here – the ability to take a balanced approach, and to recognise the validity of different views within and between communities is essential. Some emphasised the potential role the local authority could play in taking a longer term perspective.

We have a 20 – 30 year timescale in place for economic development but many authorities do not plan ahead as well as this. The market knows what is needed in a short timescale. Having a shorter vision means short delays can be fatal to development opportunities. (Local authority, Barker seminar)

G.12 The need for trust in the planning system was highlighted as important to its sustainability and efficacy. Some stakeholders emphasised that there must not be a simple emphasis on the speed with which applications are accepted or rejected. Instead the focus should be on ensuring an ability to distinguish between contributions which strengthen a locality, and those which do not. There was agreement that a presumption in favour of development, as has applied at various times in the past, would represent too simplistic an approach.

Improving the system **G.13** The current planning system was however seen as needing reform, or improved performance, in a number of areas. Local authorities agreed that the system could be enhanced by reducing and simplifying guidance, and clarifying and aligning the respective roles of local, regional and central government.

A clear national spatial strategy is required to provide a policy framework across the country and to provide a clear basis for investment decisions. Below that there is a clear need for the decentralisation of planning policy from the national and regional level to the sub-regional and local level. (South East County Leaders)

We strongly support the recommendations for reducing Ministerial call-ins and speeding up the appeals processes. In London, this is even more important given the Mayor’s role in strategic planning. Issues of wider than local significance are addressed by the Mayor and should therefore not trigger a call-in. A call-in should only be for matters genuinely of national significance. (London First)

G.14 Some felt that, although the reforms introduced in 2004 had been intended to increase flexibility and speed, in practice they had made things more complex and onerous.

Whilst the revisions to the planning system introduced in 2004 were intended to increase flexibility and reduce timescales, this has not been achieved in practice. A

particular challenge for smaller local planning authorities has been securing the necessary staff resources and the increasingly onerous requirements for a robust evidence base. (West Midlands Shire Councils)

The “new” planning system has failed to deliver what it promised. There should be a complete revision/overhaul of the current legislation and it should be streamlined to remove red tape, central control and inflexibility. (Braintree District Council)

Planning in local authorities **G.15** Business organisations felt that local authorities could be better at providing businesses with certainty and speed in decision-making, and, more generally, in paying attention to issues of economic growth and development and taking a joined-up approach across issues.

We also believe that the culture within planning departments should become more positive in the long term if reforms are to be truly effective. It is worth noting that in a recent CBI survey on public services CBI members were most dissatisfied with local government’s record on improving planning services. (CBI)

G.16 Some local authorities also identified concerns about the status of planning within local authorities, which they felt undermined its ability to contribute fully to place-shaping.

Planning in local authorities usually sits with dealing with the garden shed. It needs to be given more importance, as resources are devoted to the small-scale issues but we’re actually desperate to get on with the big planning issues. (Local authority, Barker seminar)

Government Offices **G.17** The role of the Government Offices was highlighted by a number of stakeholders, particularly at the seminar. Contributors felt that, in order to add value to the current system, the role of the Government Office should be to test the spatial impact of national policies, and to reflect those back to the centre, rather than to second-guess legitimate local decisions.

Government Offices should be there to test the spatial impact of government policy. If they cannot, then there’s no point in having them. (Local authority, Barker seminar)

Scale of decision-making **G.18** Planning decisions provide clear examples of issues where local, regional and national interests can differ and be in conflict with one another, and where the impacts of decisions can affect more than one local authority area. The need for authorities to work in partnership at the local level in order to address such spillover effects was clearly identified.

In the South West of England, there are many examples of local authorities working effectively in voluntary partnerships both at sub-regional and regional levels... There may be scope to expand existing sub-regional and regional governance arrangements beyond plan-making to taking decisions on strategic infrastructure and approving or rejecting proposals. (South West Local Government Association)

G.19 Some argued that more must be made of existing powers to develop joint Local Development Frameworks, and others that current administrative boundaries at regional level could hamper local authority efforts to join work together.

There should be encouragement to work across existing boundaries, facilitated by regional agencies working together. For Wiltshire, this is as much about the inter-regional boundary South West/South East as across county boundaries. (North Wiltshire District Council)

G.20 Many stakeholders, particularly in urban areas, discussed proposals for city- or sub-regional arrangements as a way of making some of the more strategic decisions closer to the local level than is currently possible. There was a range of views over whether new institutions were necessary to wield such powers, or whether local authorities could use existing collaborative arrangements perhaps with new executive arrangements to do so.

The sub-regional level has most value, which in the context of Manchester, means the “city region” as this is the scale at which relationships are meaningful and where sensible strategic choices and priorities can be identified. (Manchester City Council)

Local government can work and in some areas such as the Black Country is working effectively in partnership to take strategic decisions at the right spatial level. A key challenge appears to be to diagnose and generalise this emerging good practice, rather than to invent a further round of new institutions. (Royal Town and Planning Institute)

G.21 In London, though there were some differences of view about the Government’s plans to extend the Mayor’s powers, some stakeholders found the current arrangements for strategic planning adequate.

London already has a single coherent strategic planning authority – the Mayor and GLA... New or reformed institutions are considered unnecessary except some minor reforms of the spatial sub regional boundaries (which are the subject of review in the Mayor’s London Plan in any event). (London Borough of Barnet)

Independent Planning Commission

G.22 Kate Barker’s proposal for reforms to improve the process of planning and decision-making for major infrastructure projects and decisions of national importance were the subject of much discussion. Some contributors felt that moves in this direction would involve an undesirable diminution of democratic, particularly local democratic, influence and control.

Not happy about proposals to move decision-making away from local people – we should take the decisions. (Staffordshire Moorlands District Council)

The proposal for an independent Planning Commission may provide greater certainty... However, the proposal for a Planning Commission will still lead to decisions being made centrally, away from the accountability of democratically elected members. (SIGOMA)

G.23 Others could see some advantages in the proposal as a way of clarifying responsibilities and processes for decisions of national importance.

The establishment of an Independent Planning Commission (IPC) could streamline the consideration of projects of national significance provided the strategic objectives are clear. However, it needs to be linked to the process of policy making and we would want reassurance that the Commission focus on proposals of national importance and that counties and their communities have a role and input to the commission. (County Councils Network)

G.24 Many thought that it would require a more consistent national approach to spatial planning, whether through the Statements of Strategic Objectives proposed by Barker or perhaps through a National Spatial Plan.

We need a debate on where things go, and a national spatial framework (Local authority, Barker seminar)

We see benefit in an Independent Planning Commission (IPC) to consider developments of national importance as long as this is carried out transparently. It is difficult however, to envisage how an IPC could operate without a national spatial framework to provide context (Association of Greater Manchester Authorities)

G.25 Some authorities felt that, in the absence of a clear view on how local authorities might contribute to the development of such a strategic approach, the drawbacks of the Independent Planning Commission proposal outweighed its advantages.

There is a clear risk that local authorities will feel completely disenfranchised unless there are clear opportunities to be consulted on national guidelines and the proposed Statements of Strategic Objectives... As such, the Independent Planning Commission, as currently configured, is something Essex County Council opposes. (Essex County Council)

Green belt G.26 A number of the other issues raised in Kate Barker's report were also discussed. Some were concerned about the potential implications of reviewing green belt boundaries.

Reviews of green belt boundaries could have negative impacts on National Parks if they resulted in a significant loss of green belt land close by. There could, for example, be greater car volumes, more emissions, decreased tranquillity, an adverse visual impact, and habitat loss affecting species within Parks. (Council for National Parks)

Development on green belt land should be discouraged. (Cullompton Town Council)

G.27 However, on balance many felt that planning authorities should take a strategic approach to green belt land, although a number added a note of caution, highlighting its ability to promote urban regeneration.

The Core Cities welcome the need to look at the green belt as a strategic policy tool... However, this must be placed with the context of Barker's continued support for the prioritisation of development within urban areas and on brownfield land, and it is important that any reviews of the green belt have strong regard to this central construct. (Core Cities)

G.28 A number of local authorities made it clear both that they agreed with the need to adopt a strategic approach to green belt, and that they had demonstrated an ability to do so in the past.

Shire county planning authorities like Kent can already demonstrate the confidence and clout a strategic authority can deploy in making such potentially difficult decisions – e.g. in 3 of the last 4 Development Plan reviews KCC chose to release former Green Belt land to help expedite the development of the Thames Gateway without detriment to our “green” track record and reputation. (Kent County Council)

Town centres G.29 Town centre development, and the weakening of the “town centre first” policy that Kate Barker’s recommendations were perceived to call for, were another area identified in many submissions. A number of stakeholders were concerned that the changes proposed would damage town centres and the ability of local authorities to effectively plan for them.

There are concerns over the proposal to relax the current requirement for off-centre retail schemes to demonstrate “need”. This will inevitably lead to additional pressure for out of centre retail and eventually to adverse impact on town centres. It is very difficult for local authorities to prove that out of centre proposals will not have an adverse impact, particularly as the effects are often cumulative and occur over a long period of time. (Derby City Council)

Although the Barker report favours the “town centre first” policy, the suggestions for removing the needs test, as part of the planning application process, and for allowing greater competition could, potentially, lead to more out of town or edge of town development. This could have a particularly damaging effect on small market towns. (Commission for Rural Communities)

Incentives and infrastructure G.30 Meeting the increasing demand for space for both commercial and residential development was identified by many stakeholders as a key issue. Many supported reforms to the finance system so that there was a clear revenue stream to support infrastructure and enable communities to benefit financially. These included calls for the extension and simplification of the Local Authority Business Growth Incentives (LABGI), or the full localisation of business rates.

We welcomed [LABGI] and the fact that it enabled local authorities to retain part of the growth in their business rates base. We believe this kind of positive initiative, encouraging economic growth and locally retained revenue through partnership, should be encouraged. However, we do think the scheme is too complex and the revenue gains too low to make a difference to local authority priorities. For LABGI to genuinely incentivise, it would need to have greater resource devoted to it, and provide a simple mechanism for predicting local revenue. (Tesco)

G.31 There was also considerable discussion of the relative merits of Section 106 payments and of the Government’s proposed Planning-gain Supplement (PGS). Many authorities and business groups pointed to the advantages of the current arrangements. Section 106 was seen as being understood by businesses and authorities, and providing a clear link between development and infrastructure and other community benefits. There were therefore concerns that reducing the scope of S106 could undermine those advantages, or impose additional burdens on businesses, but others supported the introduction of the Planning-gain Supplement.

Section 106 has a place and it is of local benefit. It got a bad reputation in the 90s by local authorities going too far, but PGS must not be at the expense of Section 106. I’m not against the Planning-gain Supplement, as it would be a regular way of getting money from developments. However, I think there is some over-expectation of how much it will raise. (Local authority, Barker seminar)

Section 106 does get businesses involved. The Government should be careful about getting rid of it. (Business, Barker seminar)

There is no support for a Planning-gain Supplement amongst the business community. It would be an extra tax on businesses and an added burden at a

time when the Government is purportedly looking to reduce burdens on business.
(British Chambers of Commerce)

G.32 However, some limitations to the current operation of S106 were identified, including concerns that some local authorities were not making full use of their current powers, and that some were failing to collect contributions from developers once those had been agreed. One contributor also made the point that S106 contributions alone were unlikely to completely fund new infrastructure and a number of authorities argued that the Government had a responsibility to provide additional funds to meet the infrastructure needs of new growth.

Section 106 is at best going to provide between 20 and 40 per cent of the funding needed for new infrastructure. Funding will be needed from central government as well. (Local authority, Barker seminar)

G.33 There were other concerns that such measures would be insufficient without new mechanisms and resources to enable early funding of infrastructure investment.

There needs to be a far more effective method of ensuring that infrastructure can be provided up front, perhaps underwritten by central government, with income from the development being used to repay the investment over time. (Hertfordshire County Council)

G.34 In discussion at the seminar the proposals for Regional Infrastructure Funds being developed in the South West and South East were raised as potentially important contributions to this process.

Incentives for full use of land

G.35 There was considerable discussion in submissions regarding the Barker proposals for improving the incentives for making full use of land through reforms to the empty property relief in business rates, and the extension of rates to previously developed land. Opinions varied considerably. Many local authorities and some business groups felt there would be advantages to such moves.

Empty properties should pay full business rates as an incentive to encourage local business growth, with exceptions allowable for any property owner who can prove that they are doing all they can to fill the property and are delayed by means beyond their control. (Federation of Small Businesses)

Leeds supports the case for the reform of empty property relief...and agrees that reform could be used to encourage early redevelopment and re-use particularly in urban areas (Leeds City Council)

G.36 However, there was more scepticism shown by rating organisations and other business groups, some of whom recalled problems with punitive empty property rates in the 1970s and difficulties in valuing derelict land.

We consider that the concept behind the proposals... to be fundamentally flawed... Redundant brown field sites, particularly those with heavy contamination are either valueless or of very little value and the cost to the owner (person entitled to possession) of empty property rate is unlikely to provide a significant incentive for redevelopment. (Royal Institution of Chartered Surveyors)

G.37 One contributor at the seminar also noted that many of the issues under discussion in the Barker report and in other work focused very heavily on the supply side of the equation, and suggested that more general reforms to property taxation, for

example through impact on council tax, could provide helpful changes to the demand for property as well.

THE EDDINGTON TRANSPORT STUDY

Background and recommendations

G.38 The Eddington Study was commissioned to examine the long-term links between transport and the UK's economic productivity, growth and stability, within the context of the Government's broader commitment to sustainable development.

G.39 The Study's final report, published on 1 December 2006, makes the following recommendations across its remit:

- to meet the changing needs of the UK economy, Government should focus policy and sustained investment on improving the performance of existing transport networks, in those places that are important for the UK's economic success;
- over the next 20 years, the three strategic economic priorities for transport policy should be: congested and growing city catchments; key inter-urban corridors; and the key international gateways that are showing signs of increasing congestion and unreliability;
- Government should adopt a sophisticated policy mix to meet both economic and environmental goals. Policy should get the prices right (especially congestion pricing on the roads and environmental pricing across all modes) and make best use of existing networks;
- the Government, together with the private sector, should deliver sustained and targeted infrastructure investment in those schemes which demonstrate high returns, including smaller schemes tackling pinch points;
- the policy process needs to be rigorous and systematic, to consider the full range of modal options and to ensure that spending is focused on the best policies; and
- Government needs to ensure the delivery system is ready to meet future challenges, including through reform of sub-national governance arrangements, new arrangements for the regulation of the bus sector, and reforming the planning process for major transport projects by introducing a new Independent Planning Commission to take decisions on projects of strategic importance.

Summary of views

G.40 In submissions, and in the seminar, the main areas of discussions were the need for additional transport investment; how that might be funded and where it should be targeted; the best governance arrangements for making decisions on those transport systems and investments; and where local authorities might need additional powers or flexibilities to be able to take the best decisions. A number of other issues were also raised on specific aspects of the current system and the powers of local authorities, and road pricing was also discussed.

Priorities for further investment **G.41** There was a clear view that additional investment in transport infrastructure – as identified by Eddington – was needed to support economic growth, and that many projects could be identified with benefits which substantially outweighed their costs.

There is a strong case for greater investment in transport infrastructure, partly because of the need to make up for past under-investment. Cost benefit analysis of potential transport projects shows that there are a large number of projects with very high returns. (Academic, Eddington seminar)

G.42 However, opinions differed as to where investment should best be focused. Stakeholders were divided on the merits of the three priority areas identified by Eddington (congested and growing city catchments; key inter-urban corridors; and the key international gateways). Whilst cities and growing areas welcomed the emphasis on their transport investment needs, others were concerned at the implications for rural areas, or areas in need of regeneration and economic revitalisation. Some stakeholders felt that discussions about transport in the context of Eddington neglected proper consideration of the impacts of climate change.

Our main concern with Eddington is that he insists that transport investment should only follow demand... If we had a more strategic regional policy, at least as much effort would be put into diverting demand away from congested regions like the South East as is currently put into relieving clogged transport arteries. (Local Government Information Unit)

We need to engage with Sir Nicholas Stern's arguments on climate change. Eddington says we need to keep cheap long distance travel to maintain standard of living, but I am not sure we can afford to do that. (Regional body, Eddington seminar)

G.43 There were also differences in opinion on the best way to decide on which projects were the most important to take forward, with some criticisms of traditional cost benefit appraisal methodologies as the sole way of making such decisions.

You need to be careful with option generation and cost benefit analysis – developers and businesses in city centres want good mass transit, and schemes that contribute to attractive city centres, not just roads which bring people in (Local authority, Eddington seminar)

We should also recognise that cost benefit appraisal isn't the same as a local view about what people want to be done with their own money, and what they value (Local authority, Eddington seminar)

G.44 This was also identified as a problem for some areas with current methodologies for prioritising spending.

The dilemma with much transport funding is that it is provided nationally and is subject to national evaluation criteria which do not account for local prioritisation and responsibility for outcomes. The regeneration and economic benefits of transport expenditure are undercounted. (Bradford Metropolitan District Council)

Governance **G.45** There was a considerable degree of support for Eddington's conclusions that transport decisions and funding arrangements could be improved by an approach which gave flexibility for decision making across all transport modes at a sub-national level. The current governance arrangements were not seen as ideal for a number of reasons.

G.46 In some areas, this was seen as due to narrowly drawn authority boundaries.

...some cities in England are very underbounded, meaning they have to work with two tier areas covering the rest of the conurbation. This can be difficult. Expanding boundaries to a sensible level would be a solution. (Local authority, Eddington seminar)

G.47 In the metropolitan areas, which have a specific governance model in the form of Passenger Transport Authorities and Executives, there were a number of concerns about the current arrangements.

Passenger Transport Authority structures involve too many authorities and councillors in making decisions, which makes them unwieldy bodies (Local authority, Eddington seminar)

The [current system] is a constraint as it creates an artificial boundary – there is a lot of commuting into major cities from shire areas who are not in the PTA structure (Local authority, Eddington seminar)

G.48 There were also general concerns that current arrangements failed to focus attention and decision-making at the level of the functional economy. This was seen as a problem in relation to regional boundaries as well as to local ones.

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. (West Sussex County Council)

G.49 However, opinions varied significantly on the most appropriate solutions. Many local authorities felt that partnership arrangements were the most effective and transparent way to deal with the challenges.

The addition of new institutions could fragment current arrangements and potentially add... bureaucracy (South East County Leaders)

G.50 Others felt that some new institutional or formal arrangements would be required to address the situation, though there were many different opinions.

...we support the creation of strategic transport authorities along the lines of the Transport for London model in major cities like Manchester and Birmingham (Centre for Cities)

A strategic authority positioned above the local authorities won't work – we need a governance arrangement which captures the decisions already being made locally but goes beyond a purely voluntarist approach. (Local authority, Eddington seminar)

G.51 However, discussion at the seminar urged caution before the Government embarked on a full-scale formal reorganisation. There was also a clear view that arrangements imposed from the centre would be much less effective than arrangements developed at the local level, perhaps with some degree of challenge and support from the Government.

We need local flexibility to organise multi-authority models... A nationally imposed solution will fail – but equally we need people to be engaged in whatever models are developed, so a statutory duty to collaborate in those arrangements is needed. (Local authority, Eddington seminar)

G.52 Business organisations were concerned that reform should be pragmatic, undertaken only where partnership approaches were not working

Where partnerships are not working effectively, reforms should be implemented. Only if this cannot be done effectively, should new institutions be established (British Chambers of Commerce)

Cross-modal decisions G.53 In order to be able to make decisions effectively across modes, many contributors suggested that there would need to be changes to funding arrangements, and to the level of power and influence that local transport bodies have.

G.54 A perceived ‘silo’ approach to funding transport was seen as a problem, and one which acted against the objectives set out in the Eddington Study. There was general support for the system of Local Transport Plans. However, some authorities called for their scope to be expanded to include other important transport issues such as rail.

At the regional level, rail investment should be brought into the RFA process. The absence of funding for rail, as part of the first round of RFA, was regarded as a missed opportunity in helping the region to adopt a more holistic approach to improving transport and connectivity (Association of North East Councils)

G.55 The Regional Funding Allocation process was also seen as having a number of advantages, by enabling local authorities and regions to provide advice to the Government on transport projects. However, a number of authorities felt that they had not received a fair share of the resources available. There was also a general call for more resources to be devolved from the national and regional level to the sub-regional level, in order to allow for faster decision-making better linked to local needs and priorities, and for some revenues to be pooled upwards by local authorities.

Regional Funding Allocation money should be spent at the sub-regional level, passing control down from the Government. Local authorities should pool some of their current resources. (Eddington seminar)

G.56 The split between capital and revenue was identified as a problem by a number of stakeholders, who felt that it drew them towards capital-intensive projects that there not necessarily the best use of resources.

The current LTP system appears to work well. However, it is restricted by the fact that it is built solely around capital as opposed to revenue funds; revenue funding for measures such as bus services, ticketing solutions, marketing, and travel awareness campaigns are often able to deliver major benefits and complement capital investment. (Greater Merseyside)

G.57 Providing revenue funding through the Formula Grant to support local borrowing for investment was seen as causing some difficulties by a number of stakeholders, as it was less transparent than capital grants, and could be affected by other aspects of the Formula Grant system, such as grant floors. Passenger Transport Authorities/Executives, who receive their resources from a levy on the metropolitan district councils in their area, felt this was also a problem, as it could sometimes be difficult to agree the allocation that had been provided to support the PTA’s borrowing.

G.58 Local authorities felt that in some areas their powers and influence were restricted. For example, some argued that it is difficult to influence the decisions being made by national bodies responsible for the management of, and investment in, major transport aspects. Others noted the absence of rail funding from the Regional Funding

Allocation process as an important omission when seeking to take a comprehensive view across transport modes.

The major difficulties often come through working in partnership with the government agencies... effective engagement is hindered by the narrow focus of [the Highways Agency and Network Rail] on a relatively limited range of nationally driven priorities. (Norfolk County Council)

G.59 Most of those who responded, including business organisations, highlighted problems with the current lack of powers to influence bus provision at local level and supported the Government's proposals to strengthen local regulatory powers.

The ability for local authorities to be able to plan and secure new bus services to a level it considers necessary to secure broader objectives, including economic regeneration, free from the constraints of the current legislation, would be invaluable. This does not mean a return to prescriptive regulation but empowerment to local authorities to work more flexibly to meet local needs. (Essex County Council)

G.60 The CBI, however, felt that the continuation of a partnership approach offered the best way forward.

The CBI believes that a more effective way forward would be to encourage more voluntary partnerships between bus operators and local authorities. Such partnerships are already in operation in some parts of the country and achieve benefits without the need to legislate to allow re-franchising. (CBI)

Local flexibility and incentives

G.61 Local flexibility to raise and invest resources, and to benefit from the economic growth created by successful transport investments, was seen as important. Identifying tools that would allow local authorities to capture some of the value from growth and infrastructure investments was also seen as desirable.

If local authorities are to deliver better places, they urgently require mechanisms that more closely link their financial resource base to local development and economic growth. Centrally-driven schemes like the Local Authority Business Growth Incentive (LABGI) are not sufficient. Local authorities need a more substantive resource base of local taxes and charges, if they are to promote economic prosperity effectively. (Centre for Cities)

G.62 Some authorities raised concerns during discussions that the current Minimum Revenue Provision requirements, which require authorities to set aside 4% of net outstanding debt out of their revenue resources to redeem their debts, are too complex and rigid and reduce their ability to use borrowing powers to best effect.

Road pricing

G.63 Road pricing and congestion charging sparked considerable interest. At the seminar there was a general view that road pricing would inevitably be required in the future. Opinions from submissions varied on whether a national scheme was necessary or whether authorities, or groups of authorities, could take action independently. Submissions identified a number of factors that would be important in influencing local decisions to introduce road-pricing schemes, including the need for adequate up-front investment in public transport.

G.64 Authorities also generally called for all, or a substantial part, of the revenues to be retained locally for investment in transport. A number argued that this could make

an important contribution to securing public acceptance of road charging schemes, as it would provide a link between charging and improved local transport provision.

Any revenues raised from local road pricing schemes should be locked in to achieving benefits at a local level, this is particularly vital for the public acceptance of such schemes and the ability to deliver schemes to provide alternatives to the car. Likewise the revenues from any national scheme should be hypothecated to local transport improvements. (Devon County Council)

G.65 Some also noted the potential for changes in behaviour, for example flexible working by individuals and businesses, to address some of the problems with congestion, and suggested that local authorities are well-placed to encourage and facilitate such changes.

THE LEITCH REVIEW OF SKILLS

Background and recommendations

G.66 The Leitch Review was tasked in 2004 with identifying the UK's optimal skills mix in 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required. It published its interim report in 2005.

G.67 The Review's final report, *Prosperity for all in the global economy – world class skills*, published on 5 December 2006, recommends that:

- attainment in adult skills across all levels should be increased, measuring success on outcomes not outputs;
- Train to Gain and Learner Accounts should be used to fund adult skills development in a demand-led fashion, making the Learning and Skills Council (LSC) responsible for managing funding and ensuring effective competition;
- the collective voice of employers in the skills system needs to be strengthened by rationalising existing bodies and creating a new Commission for Employment and Skills;
- employer engagement and investment in skills should be increased through reform of the Sector Skills Councils;
- a new 'Pledge' should be launched for employers to voluntarily commit to train all eligible employees up to Level 2;
- people's aspirations and awareness of the value of skills should be increased through sustained awareness programmes and a new universal adult careers service; and
- a new integrated employment and skills service should be created to increase sustainable employment and progression, and develop a network of employer-led Employment and Skills Boards to influence delivery (ideally at the level of the functional economy).

Summary of views

G.68 The key issues identified in submissions and in the Leitch seminar were: the merits of different ways of ensuring that skills provision is responsive to the needs of the economy, of employers and of learners; the role of local authorities in addressing issues of worklessness and social exclusion; and the links between the LSC and local authorities on 14-19 education and training issues.

Responsive skills provision **G.69** Stakeholders agreed with Leitch's conclusions about the importance of enhancing and expanding the UK's skills base in order to remain competitive in the modern world economy, and to deal with the challenges posed by emerging economies. They supported his calls for increased investment in skills.

G.70 One of the Leitch Review's most significant conclusions was that, in order to ensure that resources were used effectively and on the sorts of skills that would provide the greatest benefit to the economy, the current system for planning adult skills provision through the Learning and Skills Council (LSC) should be replaced by a demand-led system. Under such a system the choices that employers and learners make between different courses and different providers would drive the sorts of courses available, because providers would have to respond to these signals to ensure continued funding. Leitch also recommended that the discipline created by enhanced choice for employers and learners through such a system should be enhanced by ensuring a stronger employer voice through a new National Commission for Employment and Skills and local/sub-regional level Employment and Skills Boards.

G.71 Many respondents supported this approach as a way of making the skills system more responsive to the needs of the economy, as expressed by the decisions of individual employers and learners, rather than expecting government agencies to be able to predict and provide for future needs.

The Leitch system puts money in the hands of the consumer, rather than in a failed supply-driven plans system. (Local authority, Leitch seminar)

This would put purchasing power in the hands of employers and individuals. In many ways this is the 'ultimate devolution', removing the need for central planning and prioritisation of training provision. (Centre for Cities)

G.72 However, a number of contributors added some caveats. Some were unsure that the 'voice' of employers in such a system would be sufficiently strategic, or whether all employers necessarily appreciate fully the importance of skills provision.

It is not just about what employers say they need, but also scenarios for the future. (Academic, Leitch seminar)

We need an informed demand to avoid market failure... Some new sectors are coming up which existing businesses will not see, so there is a need to look upstream and be anticipatory (Business, Leitch seminar)

Without co-ordination and collaboration, there could be a danger of over-investment in traditional technologies & skills, and a time delay on the supply line (Telford & Wrekin)

G.73 Another general concern was for individuals who face multiple barriers to work, who might find it difficult to access a system primarily run in the interests of employers.

Many adults in London are out of work. They won't be articulating demand, and there are a lot of different reasons for that. There is the potential to accentuate that, so we need to intervene (Government body, Leitch seminar)

Problems with the current system **G.74** As a result, many called for some continuing role for influence, intervention and commissioning by public sector agencies. There was some debate on how far the current system was actually able to provide a sufficiently responsive approach. For example, there was criticism of the existing arrangements as being too centrally driven and over prescriptive, particularly with the strong emphasis on Level 2 qualifications.

There exists a potential paradox, whereby it is an employer-led system with national targets. (Academic, Leitch seminar)

The present set-up is a nationally-prescribed system, riven with perverse incentives, in a post-16 funding strategy with very little relevance to local needs. This national prescription, if followed through locally by FE colleges and other providers, would see the virtual abandonment of Level 1 (Kent County Council)

G.75 There were also differing views on the most appropriate way for the system to be designed. Some supported a sectoral approach, others focused on the geographical dimension and the local labour market.

The agenda is moving to sectors. Successful economies focus sectorally on skills, demand-led. We are now starting to get good data sector by sector. (Industry body, Leitch seminar)

Responding to skills issues needs to take place at differing spatial levels. There is a need for sufficient local flexibility to target communities where we know skill levels are lowest, but also, a need for strategic capacity to plan and deliver occupational skills at city regional level that best reflects the natural labour market. (Manchester City Council)

G.76 Business organisations argued against major structural change and in favour of a system which is easily understood and is responsive to business needs.

CBI members are not wedded to a particular system and do not want to see another revolution in the skills infrastructure, with all the upheaval that would cause. The priority for business is a comprehensive and coherent system that ensures limited public money is allocated effectively, and that the needs of employers can be accommodated, whether through an individual, sectoral, local, regional or national approach. (CBI)

G.77 In addition, the ability of the Learning and Skills Council to respond flexibly to different local circumstances was questioned. A recent reorganisation was supported by some as increasing its local links, but felt by others to be part of a regionalisation of skills planning which would mean less ability to tailor provision to local needs and conditions, and less resource available to engage at the local level.

The LSC has recently undergone a restructure along regional and sub-regional lines to allow it to become significantly more responsive to local needs. Local economic development advisors are being placed within cities, providing a flexible resource for planning provision within the City. (Leeds City Council)

It is unlikely that the proposed reform of the LSC will leave it with sufficient resources to deliver local flexibilities, and we are concerned that many local

authorities will, in effect, lose a valuable partner from their strategic forums (Local Government Information Unit)

Employment and Skills Boards **G.78** Leitch's proposals for new Employment and Skills Boards (ESBs) were generally supported as a proposition, but there was a wide variety of views on just what the scope, role and geographical coverage of Employment and Skills Boards should be, and the place that local authorities might have within them. While Leitch was seen to be strong on the vertical reporting structures for such arrangements, it was felt that further consideration needed to be given to the horizontal and parallel architecture of, for example, relations with Regional Development Agencies, local authorities and other bodies.

G.79 A regional approach was felt by many to be too wide for ESBs, and there were a number of suggestions that they should operate at a sub-regional level. It was acknowledged that this would require cross-boundary working between public agencies such as local authorities.

The strategy needs to be place centred and work around existing boundaries where partnerships address a common region at the right level of integration. (Business organisation, Leitch round table)

G.80 A variety of potential roles for local authorities were highlighted: some thought that local authorities should only have a limited role in their status as local employers; some thought that local authorities should be responsible for leading the activities of such boards; while others thought they should play a supporting role. In many cases, the provision of information and intelligence was identified as a key contribution that they could make to local discussions about skills needs.

Local authorities are also well positioned to collate, interpret and share the findings of the large quantities of data and other management information which is held on local people. (Hull City Council)

One thing that is certain is that no-one would know the local learning and skill needs, and the factors that militate against achievement and employment, better than the local authority and local providers. It is, after all, at local level that the problems associated with poverty of aspiration, underachievement and youth unemployment are most felt. (City and Guilds)

G.81 In a number of areas, it was felt that existing arrangements between employers and local authorities could form the basis of Employment and Skills Boards, and that new arrangements should not replace or duplicate existing successful partnerships. Some business organisations emphasised the need to ensure that businesses could clearly see how to access support and provision.

In setting up a new interaction between employment and skills, it is crucial that there are demarcated lines of responsibility so it is clear who employers need to approach and to avoid duplication or gaps in the system (Forum of Private Business)

Tackling worklessness and exclusion **G.82** The challenge of addressing long-term unemployment and social exclusion was seen as an area where local authorities had a great deal to add in their convening role. Many felt that they were well placed to respond to the holistic needs of their communities and should have a significant role in linking skills and employment initiatives within their overall remit for community planning and well-being.

It is sensible to link employment and skills issues together in a way that enables more effective planning and delivery arrangements to reduce worklessness. The creation of clear progression routes from unemployment into work that involves a range of local service providers is a key challenge for City Strategy. In addition to formal learning and training, greater links need to be made with other public services... This includes health services, housing providers, adult learning and adult social care services etc. (Manchester City Council)

The council has an important role in tackling entrenched deprivation through early years education, childcare provision, working with colleges and so on. We need to avoid a separate horizontal architecture for skills. (Local authority, Leitch seminar)

G.83 Local Strategic Partnerships (LSP) and Local Area Agreements (LAAs) were seen to offer the potential vehicles for local authorities to take on their convening role and join-up skills and training provision, making clear priorities within an area.

The role that local authorities play in enabling partnership working through the framework of Local Area Agreements is vital (East Sussex County Council)

The local authority, through its Economic Development Service and its schools provision, should be exercising its strategic leadership. This is linked into its commitment to its enterprise strategy; as a major employer itself; and as a key player in the realisation of the Community Strategy and of the Local Strategic Partnership (Rotherham Metropolitan Borough Council)

G.84 Although many respondents supported the Train to Gain and Learner Accounts, some warned of potential problems, which they felt may arise if there were over reliance on these initiatives, particularly related to social exclusion issues.

We do have some concerns that the approach to route all public funding for adult vocational skills through Train to Gain and Learner accounts by 2010 will have the effect of further isolating workless individuals who are not Job Seekers Allowance claimants from receiving assistance with ESOL and basic skills training (London Borough of Tower Hamlets)

Local authorities as employers

G.85 Local authorities are significant employers in their own right. This was seen as an opportunity for local authorities to contribute to the wider agenda of enhancing skills by providing training opportunities for their own staff, and as a reason for local authorities to be involved in local Employment and Skills Boards. However, there was also a feeling that local authorities were not necessarily all performing well in this area.

There is agreement for the convening role, but concern over the fragmentation and casualisation of the public sector workforce, with over £500m spent annually in London alone on agency workers. This raises questions of the employer or sectoral approach. Inward migration is an issue, with some highly skilled workers doing low-skilled work, often with language being the barrier. LG doesn't adequately train its staff, with too much emphasis on management, not skills for life. (Trade union, Leitch seminar)

Local authorities, particularly County Councils, are major employers in their own right. They will accordingly generate demands as well as facilitating provision. (West Midlands Shire Councils)

G.86 The increasingly mixed economy of provision for local services, including commissioning from private and voluntary sector providers as well as direct provision by authorities themselves, was identified as having important implications in this regard. This was described as the challenge of developing skills “for public service, not just for public provision”. This will be a key issue for local authorities and for independent service providers to address.

14-19 education and skills **G.87** There was support for the closer integration of 14-19 education and training, responsibility for which is divided between local authorities and the LSC. Some of those who made submissions argued that this division created real problems for effective provision and needed to be removed.

If strategic responsibilities relating to 14-19 are truly to be discharged for the benefit of local people, the funding streams for 14-19 education should be restored to local authorities, with appropriate conditions attached regarding the partnerships to be formed with providers and businesses, and the regional framework for transport, land and skills (County Surveyors’ Society)

If the LSC is changed fundamentally and streamlined in response to the Review’s proposals, we suggest that the local authority should hold unified and ultimate responsibility for 14-19 education with that part of the LSC’s current work on 14-19 education issues being transferred to local authorities. (Essex County Council)

G.88 Others focused more on the need to provide closer partnership working between local authorities and the LSCs, and a clear strategic leadership role for local authorities, as set out in the Government’s White Paper on further education.

The effective joint working of local authority directors of children’s services and LSC partnership directors has been identified as a critical factor in successful 14-19 improvement. (Learning and Skills Council)

At a local level the local authority should have the predominant leadership role to which the LSC then has to respond. Local authorities should be able to significantly influence how the LSC deploys its funding in securing its 16-19 entitlement. (London Councils)

G.89 The need to link 14-19 provision to adult skills were also identified. In London where the Mayor is taking on a new role in adult skills, some were concerned about the risks of taking too local an approach.

A joint strategy for 14-19 with the LSC is being developed in Devon to build local area school/college partnerships and develop the capacity for the new diplomas in 14 skills areas. Our aspiration is for the diploma to align to adult training, to ensure progression on to higher and intermediate skill levels. (Devon County Council)

If local authorities are to have a strategic leadership role for 14-19, then 32 boroughs with different structures trying to link in with a London-wide adult skills network, is a recipe for disaster. (Local authority, Leitch seminar)

G.90 Discussions with Lord Leitch also highlighted the need to consider how future developments might affect the current arrangements for 14-19 education, particularly were the Government to decide to require all young people to remain in full or part time education or workplace training up to the age of 18, as he noted in his Review.