

Economy and Transport Programme Board

Agenda

Wednesday 6 July 2011
5.30pm

Cornwall Council
Trelawney Room
County Hall
Treyew Road
Truro
TR1 3AY

To: Members of the Economy and Transport Programme Board
cc: Named officers for briefing purposes

Economy and Transport Programme Board

6 July 2011 (with Site Visits in Cornwall on 7 July 2011)

Notification

The **Economy and Transport Programme Board** meeting will be held on **Wednesday 6 July at 5:30pm** at **Cornwall Council, County Hall, Treyew Road, Truro, TR1 3AY** in the **Trelawney Room**.

Political Group Meetings will be held from **5.00 – 5.25pm**, please see the attached itinerary for room details.

Tea and coffee will be available at the Political Group Meetings and light refreshments will be provided at the Programme Board meeting. Dinner is arranged for 8.15pm at Mannings restaurant - www.trurorestaurants.co.uk

Site Visits will take place on **7 July 2011**, please see the attached itinerary for details.

Apologies

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting, so that a substitute can be arranged and catering numbers adjusted, if necessary.

Labour:	Aicha Less: 020 7664 3263 email: aicha.less@local.gov.uk
Conservative:	Angela Page: 020 7664 3264 email: angela.page@local.gov.uk
Liberal Democrat:	Evelyn Mark: 020 7664 3235 email: libdem@local.gov.uk
Independent:	Group Office: 020 7664 3224 email: independentgroup@local.gov.uk

Attendance Sheet

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Location

A location map of the County Hall is printed on the back cover.

Contact

Virginia Ponton (Tel: 020 7664 3068, email: virginia.ponton@local.gov.uk)

Carers' Allowance

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £5.93 per hour is available to cover the cost of dependants (ie. Children, elderly people or people with disabilities) incurred as a result of attending this meeting.

Hotels and travel

Please be advised that Members are required to book their own accommodation and travel.

Economy & Transport Programme Board

Date: 03.08.10

Economy & Transport Programme Board Membership 2010/2011

Councillor	Authority
Conservative (6)	
Jim Harker [Vice-Chair]	Northamptonshire CC
Shona Johnstone	Cambridgeshire CC
Andrew Carter	Leeds City
Kevin Lynes	Kent CC
Philip Atkins	Staffordshire CC
Kevin Bentley	Essex CC
Substitutes:	
Tony Ball	Basildon DC
John Walsh	Bolton MBC
Labour (4)	
Peter Box CBE [Chair]	Wakefield MDC
Antonia Bance	Oxford City
Mark Dowd OBE	Merseyside Travel / Sefton Council
Roy Davis	Luton BC
Substitutes:	
Ranjit Banwait	Derby City
Tony Page	Reading Council
Liberal Democrat (3)	
Richard Knowles [Deputy Chair]	Greater Manchester ITA / Oldham MBC
Heather Kidd	Shropshire Council
Zulfiqar Ali	Rochdale MBC
Substitutes	
Isobel McCall	Milton Keynes Council
Independent (1)	
Andrew Cooper [Deputy Chair]	Kirklees MBC
Substitute	
TBC	

LG Group Economy & Transport Programme Board Attendance 2010-2011

Councillors	15.9.10	18.11.10	20.01.11	24.03.11	24.05.11	06.07.11
Conservative Group						
Jim Harker	Yes	No	No	Yes	Yes	
Shona Johnstone	Yes	Yes	Yes	Yes	Yes	
Andrew Carter	No	Yes	Yes	Yes	No	
Kevin Lynes	Yes	Yes	Yes	Yes	Yes	
Philip Atkins	No	Yes	Yes	No	No	
Norman Hume (replaced Cllr Peter Martin after 1 st meeting)	Cllr Martin attended	Yes	Yes	Yes	N/A	
Kevin Bentley (replaced Cllr Hume wef: May 2011)	N/A	N/A	N/A	N/A	No	
Labour Group						
Peter Box CBE	Yes	Yes	Yes	Yes	Yes	
Antonia Bance	Yes	Yes	Yes	Yes	No	
Mark Dowd OBE	No	Yes	No	Yes	Yes	
Roy Davis	Yes	Yes	Yes	Yes	Yes	
Lib Dem Group						
Richard Knowles	Yes	Yes	Yes	Yes	Yes	
Heather Kidd	Yes	Yes	Yes	Yes	Yes	
Zulfiqar Ali	No	Yes	Yes	Yes	No	
Independent						
Andrew Cooper	No	Yes	Yes	Yes	Yes	
Substitutes						
Tony Ball	Yes	Yes	Yes	Yes	Yes	
John Walsh	Yes					
Tony Page		Yes	Yes	Yes	Yes	

Economy and Transport Programme Board Meeting and Site Visits

6 – 7 July 2011, Cornwall Council, Truro

The journey from London Paddington to Truro is approx 5hrs. For the timings of the Board Meeting on Wednesday 6 July and the Site Visits on Thursday 7 July, suggested train times from London are as follows:

Outbound:

Leaving:	From:	To:	Arrives:
10:06am	London Paddington	Truro	2:26pm
12:06pm	London Paddington	Truro	4:26pm

Return:

Leaving:	From:	To:	Arrives:
1:32 pm	Truro	London Paddington	6:21pm
2:41 pm	Truro	London Paddington	7:24pm
3:27 pm	Truro	London Paddington	8:39pm

DAY 1

Before 5:00pm	Members arrive at Cornwall Council, County Hall, Truro
5:00pm	Political Group Meetings Conservative Group – Room ‘Exchange 4E.3’ Labour Group – Room ‘Exchange 4E.7’ Liberal Democrat Group – Room ‘Exchange 4E.11’ Members will be escorted from the main reception at County Hall to the Political Group Meetings and from there to the Trelawney Room in time for the Programme Board meeting.
5:30 – 7.30pm	Board Meeting – please see agenda.
7.30pm	Travel to Mannings restaurant for dinner
8:15pm	Dinner at Mannings restaurant - www.trurorestaurants.co.uk

DAY 2

8:45am	Members assemble at Cornwall Council, County Hall, Truro.
9:00am	Members depart by Park and Ride Bus. There is space available on the bus for luggage to be stored and the bus will take Members to Truro Railway Station on return from the site visits.

9:00am - 9:45am During the journey Nigel Blackler, Head of Transportation, Waste and Environment will brief Members on the projects being visited.

The study visits will take place in the Camborne, Pool and Redruth area, a deprived part of the county that has been a focus for regeneration and investment in transport infrastructure. Members will learn how CPR Regeneration, Cornwall's Urban Regeneration Company, is bringing prosperity back to the area. Its mission is to re-establish the area as a place of innovation, quality and wealth that will be the engine of change for Cornwall in the 21st Century.

9:45am Arrive at Pool Innovation Centre, for a tour of the building and superfast broadband presentation.

The Pool Innovation Centre – opened in 2010 as part of regeneration work to stimulate economic growth and development in the heartlands of Cornwall. The University of Plymouth is managing the centre - the first of its kind in the county - on behalf of Cornwall Council. Backed by £9m of ERDF Convergence investment, and almost £3m from the South West RDA, the centre offers business incubation and networking benefits to local businesses. The Centre is already home to 20 companies and 4,000 members of Cornwall's business sector have interacted with centre. The three-storey centre has space for 49 offices of varying sizes, seven shared meeting rooms and a conference facility. Its fibre optic broadband infrastructure has attracted several digital and creative businesses, as well as professional services, arts and media companies.

Members will hear about Cornwall's innovative partnership with BT to roll out superfast broadband and will have the opportunity to discuss how Cornwall Council and its LEP is engaging with local businesses to tackle key issues, such as youth unemployment.

There will be presentations from Richard Scutt, Pool Innovation Centre Manager and Ranulf Scarbrough and/or Nigel Ashcroft, Directors Superfast Broadband Cornwall.

11.00am Travel to Heartlands, for a site tour.

The Heartlands Site – The Heartlands regeneration programme is a £35m regeneration scheme to transform a former mining site into an inspiring, low carbon, sustainable community development which is accessible to all and which celebrates and enriches understanding of the local culture, heritage and natural environment. Building work is due to be completed in autumn

2011.

Members will hear how the Heartlands Project is working with local communities, businesses, schools and the voluntary sector to transform the physical and built environment in Pool to create a thriving community hub for local residents and a landmark destination for visitors. There will be a particular focus on local creative projects as a driver of economic growth and transport improvements. This will include how Cornwall Council negotiated a deal with Western United Mines to “swap land” that means a vital new road link can be built, and how road and cycle ways are being integrated into the development. This will include a wider discussion about the transport accessibility challenges Cornwall faces.

There will be presentations from Scott James, Programme Director and Vicky Martin, Chief Executive of the Heartlands Trust (tbc).

12:30pm

Travel to Truro. The bus will take members to Truro Railway Station.

During the journey there will be an opportunity to reflect on the study visits and to discuss the key learning points to be shared widely with councils.

Further information

<http://www.cprregeneration.co.uk/index.htm>

<http://www.heartlandscornwall.com/heartlands-latest/>

<http://www.poolinnovationcentre.co.uk/>

<http://www.superfastcornwall.org/>

Agenda

Meeting title: Economy and Transport Programme Board

Meeting date: 6 July 2011

Meeting time: 5.30pm – 7.30pm

Meeting venue: Cornwall Council

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Part 1	Main agenda items for Discussion		
1.	Welcome and introductions	5:30pm	
2.	Note of Previous Meeting	5:35pm	3
3.	Presentation from Cornwall Council and discussion	5:40pm	
4.	Supporting Council's Ambition for Local Economic Growth – paper attached	6:30pm	9
5.	Economic and skills development funds from Europe – paper attached	6:50pm	15
6.	Oral Feedback from Members	7:15pm	
Part 2	Information items	7:25pm	
7.	Transport Lobbying – next steps – paper attached		21
8.	Economy Update – paper attached		31
9.	Correspondence with Ministers – paper attached		35

Date of Next Meeting: Thursday 8 September 2011, 11.00am Local Government House

Note of Previous Meeting

Title:	Economy & Transport Programme Board
Date and time:	24 May 2011, 11am
Venue:	Local Government House, Smith Square

Attendance

Position	Councillor	Political Group	Council
Chairman	Peter Box	Labour	Wakefield MDC
Vice Chair	Jim Harker	Conservative	Northamptonshire CC
Deputy Chair	Richard Knowles	Liberal Democrat	Greater Manchester CA / Oldham MBC
Deputy Chair	Andrew Cooper	Independent	Kirklees MBC
Members	Shona Johnstone	Conservative	Cambridgeshire CC
	Kevin Lynes	Conservative	Kent CC
	Mark Dowd	Labour	Merseyside Travel / Sefton C
	Roy Davis	Labour	Luton BC
	Heather Kidd	Liberal Democrat	Shropshire Council
Substitutes	Tony Ball	Conservative	Basildon DC
	Tony Page	Labour	Reading Council
Apologies	Andrew Carter	Conservative	Leeds City
	Philip Atkins	Conservative	Staffordshire CC
	Kevin Bentley	Conservative	Essex CC
	Antonia Bance	Labour	Oxford City
	Zulfiqar Ali	Liberal Democrat	Rochdale MBC
In attendance:	Paul Raynes; Ian Hughes; Caroline Green; Philip Mind; Laura Caton, Kamal Panchal; Fatima de Abreu (LG Group), Jonathan Bray (Pteg Support Unit)		

Item	Decisions and actions	Action by
	Cllr Box (Chairman) welcomed members to the meeting.	
1	<p>Note of previous meeting 24 May 2011</p> <p>Members approved the note of the last meeting.</p>	
2	<p>Current and Future Plans for Rail</p> <p>The Chairman introduced Anna Walker and John Larkinson from the Office of Rail Regulation (ORR).</p> <p>As background to this item, a summary of the independent report of the rail value for money study chaired by Sir Roy McNulty was circulated to Members.</p> <p>The Board received an overview of the work of the ORR, its Periodic Review process and a presentation on delivering value for the users of Britain's railways. Available at: http://www.lga.gov.uk/lga/core/page.do?pagelId=18496590</p> <p>Members raised the following points:</p> <ul style="list-style-type: none"> • Concerns about the delivery of savings and the implications of this on investment in rail infrastructure; • Councils need to have an enhanced role in representing the interests of local communities and local economies to help determine outputs for Network Rail; • The importance of local government views to be represented within ORR's developing strategies and to ensure ongoing links between local and regional partners; • Concerns that integration between rail operators and Network rail would not be deliverable under the current timetable for new franchises. <p>It was agreed that the Board and ORR would continue engagement as a way of taking forward issues raised and to facilitate wider discussion. A joint LG Group / ORR seminar during the consultation of the PR13 objectives would be arranged in the first instance.</p> <p>Decision</p> <p>Members noted the report and agreed the recommendations.</p> <p>Action</p> <ul style="list-style-type: none"> • Officers to arrange facilitation of a joint LG Group / ORR seminar. 	LG Group Officers

3 Youth Unemployment – proposed work programme

Officers updated Members on the proposed joint programme of work with the Children and Young People's Board on youth unemployment which would be branded as a Hidden Talents .

The Board made the following points:

- The importance of the social causes of youth unemployment – these are often rooted in the family (such as child poverty) or correlated with wider social issues (such as teenage pregnancy);
- Young people who experience periods of unemployment and are disengaged from learning are not a homogeneous group. Their individual experience will be shaped by local factors, including access to work and learning particularly in rural areas;
- There were problems with the services for young people. They are fragmented, with particular issues around transitions from school, college and in and out of work. There are also issues about the quality of services and how well some services spoke to, catered for and understood young people, particularly Job Centre Plus and advice and guidance services;
- There were uncertainties about the role that local enterprise partnerships would play in tackling youth unemployment, although they provide a for a in which to engage the private sector on the issue;
- Employer practice can also be a problem. Retailers are, for example, are under-employing young people contracting them on shift patterns that increase travelling costs, sometimes giving them short notice of when they are required to work (and not to work).

The Board agreed the work programme, subject to the views of the Children and Young People Board, and identified a community budget proposal for NEETs as an early priority as a way of improving services for young unemployed people.

They felt that the issues should be conveyed to key politicians with case studies included and agreed that this suggestion would be taken to the Children and Young People Board with a view to be updated on the discussion at their next meeting on 6 July. [Note: the Children and Young People's Board proposed a joint meeting of lead members of both Boards as a next step.]

Decision

Members noted the report and agreed the further actions proposed.

Action

- Officers to set up a joint meeting of lead members of the Economy and Transport and Children and Young People's

Philip Mind / LG
Group Officers

Board.

4 Competition Commission Local Bus Services Market Investigation – provisional report

Caroline Green briefed the Board on current policy work on buses and the proposed LG Group's response to the Competition Commission report.

Members commented on the proposed LGG response highlighting that the regulation of competition should be focused on letting contracts through franchising. They discussed issues related to rural areas and agreed local authorities' role in increasing competition by making greater use of franchise arrangements, but said that processes need to be less complicated and that a single template solution would not be appropriate.

It was agreed that the response would be re-drafted and circulated to the Board for approval, prior to submission of the LG Group's recommendations to Norman Baker MP in July.

Decision

Members noted the report and agreed the actions proposed.

Action

- Officers to redraft the LG Group response and circulate to Members; Caroline Green
- Officers to progress work programme on buses as proposed. Eamon Lally

5 Getting Closer update

Members received a summary of the outcomes of the Getting Closer Programme and noted that the new integrated organisation would be effective from 1st June.

Decision

Members noted the update.

6 Oral Feedback from Members

Members noted the report.

Cllr Knowles asked officers to seek a response to the Chairman's letter to the Minister raising concerns about damage to roads by streetworks undertaken by utilities companies.

Action

- Officers to seek response to Cllr Box' letter of 13 April 2011. Caroline Green

7 European Transport Policy White Paper and EU Update

Members noted the report and requested a further briefing on the Trans-European Transport Network (TEN-T) programme at a future

meeting.

8 Economy Update

Members noted the report.

9 Meeting – Cornwall Council

Officers updated Members on arrangements for the field visits and meeting with Cornwall Council and reminded them to submit their intention to attend.

Members were informed that specific details of the study tours planned for the second day were being sought from the Council and that these would be circulated as soon as possible.

10 Correspondence with Ministers

Members noted correspondence with Ministers since the last meeting in March.

11 Integrated Transport Authority Special Interest Group – Annual report to the Local Government Group

Members noted the report.

Date of next meeting: 6 - 7 July 2011, Truro, Cornwall

Supporting Council's ambition for local economic growth

Summary

This report sets out councils' long term experience of driving local economic growth and looks at the current issues regarding delivery (including the partnership work with Local Enterprise Partnerships).

It recommends that the Board develops a debate in the sector which establishes a clear local ambition for economic growth.

Recommendation

The Board is asked to comment on the paper.

Action

Officers to produce a delivery plan, based on Members comments.

Contact officer:

Ian Hughes and Philip Mind

Position:

Head of Programmes/Senior Adviser

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020 7664 3101/3243

E-mail:

ian.hughes@local.gov.uk / Philip.mind@local.gov.uk

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SUPPORTING COUNCILS' AMBITION FOR ECONOMIC GROWTH

Introduction

1. Local government has a long and honourable tradition of driving economic growth. Its work in this area can be traced back to the founding fathers of modern local government at the end of the 19th century, with the development of public works in large cities to deal with sanitation and infrastructure. In more recent times, during the recession of the 1980s, local government broke new ground in delivering local economic development programmes which delivered, for example, local employment programmes to deal with the decline of manufacturing and high levels of unemployment.
2. In the immediate past, our work in this area was often in partnership with regional development agencies, as they provided funding for many of the infrastructure and employment programmes that were driven by local government.
3. Thus our record and history in this area is vast. However, the sector's offer needs to be refocused. We are entering a new era which is being defined by new institutions, such as local enterprise partnerships (LEPs), where much less public finance is available. There will also be a stronger emphasis on improving people's skills to compete in a global economy (rather than a concentration on physical regeneration programmes).

Delivering local economic growth in the 2010s

4. One year on from the government announcement of the first LEPs, there is an opportunity to create a new, focused, national debate about the ambition of councils for local economic growth.
5. Local government has lobbied for the devolution of economic budgets and powers. Some budgets have been localised (for example, local councils are broadband delivery partners). New powers are in the pipeline, for example tax increment financing, allowing councils to secure the fiscal benefits of growth. However, many central controls remain which need to be challenged. Compared to the economic powers enjoyed by local leaders in other developed nations, our own local powers are limited.
6. At present, much debate on local economic development is centred on the development of LEPs. There are risks to this focus as our work could be hampered by institutional debates. Rather we should develop an agenda

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about what could be done, that stretches our ambition for localism and which recognises the economic challenges facing different places – for example, the different challenges facing urban, rural and mixed economies. In summary, we need to create a debate on the key economic issues facing local economies and the role that local leaders can and could play in delivering economic recovery.

What are the drivers of local growth?

7. The government's own ambition for national economic growth is well articulated:
 - to create the most competitive tax system in the G20
 - to make the UK the best place in Europe to start, finance and grow a business
 - to encourage investment and exports as a route to a more balanced economy
 - to create a more educated workforce that is the most flexible in Europe.
8. This language may not resonate or create ambition in localities. For example, local places do not generally compete on tax. So what is the narrative underpinning local ambition for economic growth? We could develop an agenda from which we can help to highlight the importance of the local role and that is sensitive to the fact that economic development will not be the exclusive right of any one institution, but will rely on partnerships which are effectively led from localities.

Helping to renew the local government ambition for local economic development and growth

9. The Board is invited to consider leading a debate about the future of local economic development. This could be based around the following themes:

The ambition that councils **should** have:

- What local economic, social and transport powers would leaders of councils and businesses in other developed economies hold to develop their local economy? How do they compare with England and would they work here?
- Securing and using new local taxation powers.

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The ambition that councils **do** have:

- The roles of different institutions – business-led LEPs and councils; what are the emerging strengths and weaknesses of LEPs; the future sources of tension and what will make LEPs successful.
- Maximising our resources: What would you do if Enterprises Zones, RGFs, the New Homes Bonus, CIL and EU funds were merged into a single community programme for a LEP and how can council maximise the opportunities from bringing different levers together?
- Using people power: How we harness the young people and the unemployed in local leading markets? How do we maximise the local returns to investing in education, skills and training so that local people compete effectively for jobs in a global economy?
- Enabling local approaches that might depart from national economic policy approaches, for example on job creation or careers advice and guidance.

Delivering a revitalised debate on our ambition for growth

10. Board members would play a leading role in creating this debate. It could be delivered through discussion papers from members, the LG Group, think-tanks and commentators. It could focus on a series of town hall meetings around specific themes (led by Board members in their own areas). We could also use e-comms through twitter and other social media.
11. We would also need to develop a clear outcome. For example, a *Budget for Local Growth* – a submission to the Chancellor early in the New Year in time to influence the Budget 2012 that outlines the measures councils need to support local growth.
12. Members are asked to consider this proposal, comment on the general principles and make suggestions for delivery.

Contact officer: Ian Hughes and Philip Mind
Position: Head of Programmes/Senior Advisor
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Economic and skills development funds from Europe

Summary

The Economy and Transport Board recently met with DCLG Minister, Baroness Hanham, to open up discussions on the future of EU funds and the potential role for local authorities in supporting programmes. This paper updates on issues and seeks Member comment on next steps.

EU structural funds are worth well over £8 billion over the 2007-2013 period, typically funding economic and skills development activity. The European institutions will soon enter a critical point in the design of funding programmes for 2014-2020. Government has a key role in these negotiations and a good degree of discretion in establishing delivery models to spend the 2014-2020 funds in England.

Recommendation

The Board is asked to comment on the paper.

Action

Officers to progress proposed next steps subject to Members comments.

Contact officer: Nick Porter
Position: Adviser
Phone no: 020 7664 3113
E-mail: nick.porter@local.gov.uk

Economic and skills development funds from Europe

Background

1. The Economy and Transport Board have opened discussion with DCLG minister, Baroness Hanham, on the design and delivery of future EU funding programmes. This paper seeks Member comment on next steps.
2. The European Union structural funds typically support economic and skills development activity, and are regularly accessed by local authorities to help realise local ambitions. They include the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The funds are worth over £8 billion to the UK between 2007-2013 period, which, once match-funded, represents a potential total investment over £16 billion. Further investment opportunities are available to councils through the EU's Rural Development Programme for England, and a range of thematic EU funds.

Towards 2014-2020 EU funds, Local Government Group objectives and activity

3. The European institutions will soon enter a critical point in the design of funding programmes for 2014-2020. EU Budget proposals are expected on 30 June 2011, with further proposals on structural funds expected in the autumn 2011. In Whitehall, government has a good degree of discretion in arranging and managing the structural funds in England, and is beginning to consider delivery models for the 2014-2020 funds.

LGG lobbying objectives

4. The Board are asked to comment on the three central lobbying principles that might underpin future activity on the future of European programmes.
 - a. To protect future investment.** That the LGG argue communities across England and Wales receive their fair share of future EU economic and skills development funds. The UK receipts from EU funds have fallen over the last two programme rounds, dropping 40% between the 2000-06 and 2007-13 periods. It is expected that UK receipts will fall again in the 2014-2020 period. It is important that we continue our work with government and the EU to highlight the need for targeted support across the EU, rather than investment being directed primarily to the regions with the weakest economies.
 - b. To establish locally responsive spending priorities.** That the LGG push for local authorities to be involved as critical partners in the negotiation EU programmes and priorities. There is a risk that spending strategies will prevent spending from taking into account the significant local variations between

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places. For instance, the European Commission is currently drafting regulations that suggest EU funds can only support one or two priorities in wealthier member states like the UK. It is being proposed that government would select these from a menu of priorities offered by the EU. Thus it is important that we continue pursue an argument for locally responsive delivery plans in the UK which is consistent with the Government's own "localist" agenda.

c. To move towards joined-up spending at the local level. That the LGG explore how local authorities (in partnership with Local Enterprise Partnerships) could shape the delivery of EU funds from 2014-2020. There is concern that, following the abolition of RDAs, the Government is increasingly keen on centralising the management and strategy of the 2014-2020 funds. Nevertheless, articles may be written into EU regulations that could ensure a degree of local involvement in the establishment, strategy and delivery of programmes. The LGG is developing work with European institutions and Government to demonstrate how this can work effectively in the UK.

LGG activity

5. Members are asked to comment on streams of LGG activity to take forward these objectives:

a. Continued political engagement. The legislative process for negotiating and establishing the EU funding programmes is lengthy and involves many interests. Collectively, members of the Economy and Transport Board and European and International Board have now opened discussions with the political leadership of the UK Government and European institutions. This includes meetings and correspondence with the European Commissioner, the European Parliament, and the responsible Ministers at DCLG, DBIS and DEFRA. Further engagement will be necessary as the legislation is negotiated up to 2013, particularly once the EU Budget proposals and Structural Fund proposals are announced over the course of 2011.

b. Cross-Whitehall initiative on future spending models. The LGG has initiated thinking with Government departments – including DCLG, DBIS, DEFRA, DWP and HMT - exploring how local partners might help lead the delivery of European programmes in the future. Local leadership will be a significant contributor to this discussion, and as a part of this work the LGG has worked with 5 local areas to contribute thinking on how they might participate to the operation of European programmes, addressing two questions:

- How local areas can help future European programmes address the specific needs of local communities and businesses, increasing the value for money of these investments, and

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- How European programmes can be organised in England to achieve this, while ensuring delivery is cost-effective and compliant with EU regulation.

The local contributions will be presented and discussed at the cross-government working group, brought together into a single report, and form the basis of a set of local government lobbying principles on delivery. The LGG will look to explore how these models can be tested and piloted locally, in advance of the 2014-2020 programmes. The five areas involved are: Cornwall and Isles of Scilly (in partnership with the LEP); Greater Birmingham and Solihull (in partnership with the LEP); Kent, Greater Essex and East Sussex (in partnership with the LEP); Liverpool City Region, and; Newcastle City Council.

c. EU funding survey of local authorities. In May 2011 the LGG launched a survey of local authorities to offer a sense from local authorities on how satisfied they are with current EU programmes, which run from 2007-2013, and their steer on the kind of roles councils would want to play in the future programmes. It is hoped the survey results will provide vital evidence that reinforces the need for future programmes to be negotiated and established in an all together more local way, and gauge the level of ambition within local authorities for their future roles and responsibilities with the new European programmes. The last LGG EU funding survey was instrumental in helping articulate the value of EU funds to local areas, central to the debate on protecting investment in the future.

d. Lobbying in Brussels and an EU-wide local government approach. The LGG leads lobbying activity within the EU-wide LGA (Council of European Municipalities and Regions) developing a position linked to key LGG priorities. Activity focuses on ensuring the European Union establishes well-resourced structural fund programmes available to all areas of Europe, that it does not unduly narrow funding priorities, and that local government be involved as a critical partner in the negotiation of funds. This includes specific work on a local development initiative.

Concern about match-money in the current and future programmes

6. New arrangements for managing ERDF go live on 1 July 2011, when Regional Development Agency secretariats move into DCLG. Lead members discussed new management arrangements with Baroness Hanham, and raised particular concerns about the availability of match-funding to draw down the £1.3 billion remaining across the English programmes.
7. This concern was shared by the Minister, and it was agreed that LGG and DCLG officials would take forward work to address it. The LGG will report back on results of a survey of all councils on the issue of match-funding which is currently being carried out. This will offer a greater understanding of the areas

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most at risk, and local authority ideas for resolving the issue. Practical ideas will then be further explored by officials, this might include work: exploring how LEPs can coordinate different funds to match with ERDF, engage the private sector locally, and initiate flexibilities in programme priorities in ways that release available match-funding.

Contact officer: Nick Porter
Position: Adviser
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E-mail: nick.porter@local.gov.uk

Transport Lobbying – Next Steps

Purpose of the report

This report proposes the next steps in taking forward the discussions with the Department for Transport (DfT), the Office for Rail Regulation (ORR) and others on greater involvement of Passenger Transport Executives (PTE) and local authorities in transport commissioning.

Summary

The Board has long argued that transport networks, including rail, are crucial to the sustainable economic development of cities and local economies and that there should be greater involvement by PTEs and local authorities in decisions about transport investment in their areas.

Two recent developments, the Competition Commission investigation into local bus services and the report of the Rail Value for Money Study (the McNulty report), indicate that there is now a substantial weight of opinion behind the concept of greater involvement of PTEs and local authorities in transport decisions that impact locally. (The LGA response to the Competition Commission's provisional findings is attached).

The ORR presented to the Board at its last meeting in May. It was agreed that the Board and ORR would continue engagement as a way of taking forward issues raised and to facilitate wider discussion. A joint LG Group / ORR seminar during the consultation of the PR13 objectives would be arranged in the first instance.

The responsibility at a national level for ensuring greater involvement of local authorities in rail decision-making will rest with a triumvirate of organisations, the ORR, DfT and Rail Delivery Group (which is made up of senior figures in the rail industry).

Recommendation

The Board is asked to consider the proposal for taking forward the work with the ORR and other bodies aimed at achieving greater involvement of PTEs and local authorities in commissioning local transport services.

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Transport Lobbying – Next Steps

Background

Recent policy developments a ‘green light’ for local government

1. The independent report of the rail value for money study chaired by Sir Roy McNulty was published on 19th May 2011. The report was jointly sponsored by DfT and ORR (Office of Rail Regulation) to examine the opportunities and barriers to improving the value for money of GB rail for taxpayers, passengers and freight customers.
2. The report recommends an enhanced role for local authorities and/or PTEs with greater opportunity to influence the franchising process and involvement in local decision-making brought together with budget responsibility and accountability. This reflects policy positions that the LGA has campaigned on for a number of years.
3. The report also recommends devolving decision making within Network Rail and piloting the integration of operations and infrastructure on specific routes.
4. While the LG Group has welcomed these recommendations the report also calls for a 30 per cent reduction in costs by 2018 and longer less prescriptive franchises, recommendations that carry risks for local government.
5. In May the Competition Commission published the provisional findings of its study into local bus markets calling for greater use of franchising, a finding strongly supported by the LG Group which has argued that competition regulation should be refocused away from attempting to enforce on-street competition to introducing and ensuring genuine competition in the market at the point where bus operators compete for contracts
6. A consultation marking the first phase of The Office of Rail Regulation's Periodic Review of Network Rail (PR13) was also launched in May. It was agreed at the last meeting of the ETB that the Board and ORR would continue engagement as a way of taking forward issues raised and to facilitate wider discussion. A joint LG Group / ORR seminar during the consultation of the PR13 objectives would be arranged in the first instance.
7. Taken together these three developments represent an opportunity for local government to both exercise greater influence on the provision of local transport services and to do so as part of an enhanced economic leadership role.

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Issues

8. The developments present significant challenges for the sector in a number of individual areas (rail, bus, etc) and there is a need to ensure that the opportunities and benefits are coordinated to ensure that this is seen as a wider local agenda on integrated transport. The Board through its engagement will want to support the sector develop work in the following areas:
 - How can we best ensure this opportunity for a greater local say in determining the provision of transport services is taken and fully integrated into our wider aim of providing economic leadership at a local level?
 - What will rail/bus devolution look like at local level?
 - What are the financial/reputational risks and how can these be mitigated?
 - Ideas for the ORR seminar?
9. The Board has established positions in relation to PTE and local authority involvement in transport commissioning and it will be useful to confirm these in light of the recent developments (the LGA's response to the Competition Commission investigation into local bus services is attached for reference).

Conclusions and Next Steps

10. The LGG has a significant role to play in working with the sector to maximise the opportunities for greater involvement by local authorities in commissioning rail services and in making the case for reform of the bus subsidy system. In the immediate future the following steps are planned:
 - LGG Officers are due to meet DfT to discuss rail devolution on 22 June.
 - A joint LGA/ORR seminar is being organised for early September (date to be confirmed) – this will fit in with the ORR's PR13 consultation exercise (NB this is a separate event to the public consultation events ORR is organising and to which Board members have been invited).
 - LGG officers will maintain a dialogue with the ORR in preparation for the seminar.
 - Links will be established with the RDG either directly or through the ORR and we will arrange a meeting with the Board.
 - A Green Paper on Rail will be published in July and officers will work with the Board on a response.

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- Members of the Board will meet with Norman Baker on 11th July at the Bus Partnership Forum which will provide the opportunity to discuss our response to the Competition Commission's provisional findings and the department's plans for reform of bus subsidies.

Financial Implications

There are no financial implications at this stage.

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Local Government Group response to provisional findings and possible remedies proposed by the competition commission investigation into the local bus services.

31 May 2011

About the Local Government Group

The Local Government Group (LG Group) is made up of six organisations that work together to support, promote and improve local government. The six organisations are:

- a. The Local Government Association (LGA)
- b. Local Government Regulation
- c. Local Government Improvement and Development
- d. Local Government Employers
- e. Local Government Leadership
- f. Local Partnerships

The LGA is a cross-party and politically led voluntary membership body. Our 422 member authorities cover every part of England and Wales, and together they represent over 50 million people, spending around £113 billion a year on local services.

Key Messages

1. The Local Government Group strongly supports the Competition Commission's key findings that competition within local bus markets is limited and that this adversely affects services and outcomes for bus passengers. The most effective way to remedy this is to shift the focus of competition regulation from on-road competition between operators to competition between operators for contracts to operate services.
2. Stronger franchising powers should be accompanied by reform of the current bus subsidy system – which at £2.6 billion per year accounts for 50% of industry turnover - to create a single stream of public subsidy for bus services that is devolved to local transport authorities to commission bus services from providers at the local level.
3. This would resolve the bus industry's competition issues by refocusing regulation from seeking to eliminate unacceptable monopolies locally – an approach which has manifestly failed – to a system in which competition can be promoted through tender design.

4. This supports what councils report, the findings of our own work and other recent studies into the bus market¹.

Response to provisional findings and remedies

Competition, profitability and barriers to market entry

5. The consolidation of the bus industry to a point where the five largest operators provide 69 percent of local bus services means the only effective competition comes when the major players compete against each other. As the report demonstrates this type of head-to-head competition is relatively rare and tends to be short-lived as rivalry on routes usually leads to the exit of one operator with no guarantee that the most efficient operator survives. We also agree with the report's findings that the costs and risks to entering the market are significant and act as a barrier to introduction of competition.

Franchising

6. The LG Group strongly supports the Commission's recommendation for greater use of franchising. It is clear that the current approach to regulation of the bus services to encourage on-street competition is not working. The LG Group has argued that competition regulation should be refocused away from attempting to enforce on-street competition to introducing and ensuring genuine competition in the market at the point where bus operators compete for contracts. Local Transport Authorities (LTAs) have an important role to play in encouraging competition and ensuring that the benefits are captured for passengers and the tax payer.
7. Greater use of commissioning services through contracts should be strengthened by replacing the existing package of support for bus subsidies with a single stream of public funding for bus services delegated to councils to commission services and specified outcomes from operators. This would end unconditional payments and allow subsidy to be more effectively targeted and more accountable to the public.
8. Given the very local nature of bus services, decisions about the best model of procurement of services need to take account of features of the local market, including demand, market size, neighbouring markets, capacity and historic relationships with operators. LTAs need access to a range of tools to influence competition in the bus market, as was recognised in the Local Transport Acts of 2000 and 2008. We therefore oppose prescriptive national guidance or mechanisms to impose franchising models or blanket recommendations to "types" of area.

¹ LGA, The Future of Bus Subsidies, 2010; Review of Bus Profitability in England, Final Report, 22 June 2010, LEK International for DfT

9. Rather, the CC's remedies should focus on removing barriers to implementing franchising and partnership tools which are currently significant, in order to ensure that regulation focuses on competition at the level at which contracts are tendered in a way that encourages multiple bids for contracts. The process and requirements for putting a Quality Contract in place are complicated, costly and involve considerable risk for LTAs. The hurdles are intended to protect the free operation of the market. Since the CC's investigation demonstrates that the market does not operate freely and competitively, the remedies should focus on making it easier for LTAs to implement franchising models by enhancing their powers to implement QCs and simplifying the franchising process.

Ticketing

10. We agree with the Commission's finding that multi-journey tickets offered by a single incumbent operator can give them a competitive advantage over new entrants or smaller operators. We also agree that multi – operator integrated ticketing schemes would effectively tackle this advantage and deliver significant benefits to passengers and increase patronage, especially if combined with smart ticketing.
11. Integrated smart ticketing products could be implemented most simply through franchising, which would allow an LTA to stipulate participation in a multi-operator ticketing scheme as a condition of the contract.
12. Currently, where multi-operator ticketing schemes do exist, operators are able to discount their own ticketing products in areas where they are dominant to undercut multi-operator tickets and increase their own market share. In a situation where franchises do not exist, LTA's should have stronger powers to require operators to participate in a multi-operator smart card ticketing schemes. This could be done by:
 - a) devolving subsidy to LTAs to enable them to incentivise operators to participate in LTA-led smart card schemes that offer multi-operator products;
 - b) removing the ability for any one operator to veto a multi-operator scheme and by requiring them to promote multi-operator products.

Partnerships

13. Partnerships between operators and local authorities do not in themselves encourage competition in the way that franchising can. However partnerships do offer a way in which LTAs can influence operators' behaviour and incentivise improvements to services and encourage multi-ticketing products and other mechanisms that could mitigate the lack of competition. However, by their nature partnerships require voluntary agreement from operators and LTAs therefore need to be able to apply some leverage or incentives to operators to participate.

14. Greater use of partnerships could be encouraged by:

- a) reducing barriers to franchising as a viable option if operators are not willing to participate in partnerships;
- b) devolving subsidy to LTAs who could then stipulate participation in a partnership as a condition of accessing public funding.

Regulation

15. The CC considers proposals to increase the powers of the Traffic Commissioners and the OfT to intervene in the market to reduce barriers to entry and act against predatory or anti-competitive practices. In our view, Local Transport Authorities are far better placed than a national regulatory body to understand local bus markets and to monitor and intervene where necessary. LTA regulation of local markets would also be less costly, more timely and responsive than the proposed enhanced role for Traffic Commissioners or another national regulatory body.

Tendered Services

16. We welcome the CC's emphasis on ensuring sufficient competition to tenders for supported services. A significant issue identified by the report is that aspects of tendered services, such as the location or timing, that make the tender unattractive to most operators. Greater franchising could assist by allowing tendered services to be packaged with contracts covering other routes and networks to remove some of these obstacles and attract competition.
17. There remains a role for the Department for Transport, working with the Competition Commission to ensure a level playing field for tendered services and updating or revising existing guidance on tendered services should be based on the experience from the sector. The LGA would be happy to be involved in further discussions on how best practice can be most effectively disseminated.

Economy Update

Purpose of report

The report provides a brief update for the Board on economic news of interest to local government.

Summary

This note summarises the domestic concerns about rising inflation, the latest news on jobs growth and the key economic developments for councils and local enterprise partnerships

Recommendation

Members are asked to note the report.

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Economy Update

The economic situation

1. Although the UK has limited exposure to Greek debt, at the time of writing the main economic story is instability in the Euro Zone, in particular the prospects of European Union and the IMF releasing £10 billion of loans to Greece, the resistance there to austerity measures and the possibility of a Greek departure from the Euro zone
2. Domestically the economic data does not tell a consistent story – there is both good and bad news.
3. Bad news first. There are concerns about inflation and its impact on savings and real incomes. Different groups are more vulnerable to inflation. Analysis by the Institute for Fiscal Studies has shown that the poorest 20% of the population experienced an inflation rate of 4.7% between 2008 and 2010, compared to a rate of 2.7% experienced by the richest 20%.
4. As measured by Consumer Price Inflation, inflation was at 4.5% in May, double the Bank's target rate. The Retail Prices Index is at 5.2%. Energy prices rises are likely to drive CPI above 5% in coming months – Scottish Power, which has 2.4 million domestic customers, has said its gas prices will rise by 19% from 1 August and its electricity prices by 10%. Despite the inflationary pressures interest rates remain at 0.5%. The Bank's explanation is that the inflationary pressures are not domestic but down to rising costs of oil, gas and food.
5. On job creation, there is good news. In the twelve months running up to March 2011, the private sector created 520,000 more jobs, whilst the public sector shed 143,000 jobs, resulting in 377,000 net jobs created.
6. The number of people unemployed fell by 88,000 in the three months to April to 2.43 million. But the number of people on Job Seeker's Allowance (JSA) rose by 19,000 in May to 1.49 million.
7. Analysts put the discrepancy down to changes in benefit rules that are requiring people's ability to work to be re-assessed which are having the effect of moving people off of Incapacity Benefit/Employment Support Allowance onto JSA. To receive JSA claimants, conditionality applies, and they must actively seek and be available for work.

The issues for local government

6 July 2011

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8. A key issue for local government in recent weeks will have been putting in bids to government:
- The closing date for bids to the LEP start-up fund of £5 million is the end of June.
 - Bids to the second round of the Regional Growth fund of £950 million are to be submitted by 1 July.
 - Proposals for Enterprise Zones are due for submission by the end of June.
 - BDUK have announced the next phase of pilot areas for superfast broadband in rural areas with a second wave of projects in Devon, Norfolk, Somerset and Wiltshire¹.
 - Government launched its payment by results Work Programme to a mixed response about how it will impact on unemployment in different parts of the country.
9. In addition:
- the Prime Minister announced that Mary Portas will lead a review into the future of the High Street reporting in the Autumn.
 - Government has agreed to the Humber local enterprise partnership (8 June) bringing the total number of local enterprise partnerships to 35 and bringing coverage to 96% of all employees in England.

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¹ The first phase includes North Yorkshire, Herefordshire and Cumbria.

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Correspondence with Ministers

Summary

Members are invited to note correspondence with Ministers since the last meeting of the Economy and Transport Programme Board on 24 March 2011. This covers:

- a. **Local Highway Authority powers to manage streetworks**
Cllr Box to Norman Baker MP in response to his letter of 7 June (attached)

Recommendation:

The Board is asked to note the correspondence attached.

Action:

Subject to comment from the Board, officers to take forward any suggested actions.

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**From the Parliamentary
Under Secretary of State**

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Our Ref: MC/1555

Councillor Peter Box
Local Government House
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7 June 2011

Thank you for your letter of 13 April about issues relating to the powers available to Local Highways Authorities to manage streetworks undertaken by utility companies.

The Department is considering how best to proceed with overrun charges in light of a consultation held last year, in line with the Government's commitment to reducing regulatory cost on business.

We are also working to finalise new regulations to enable future lane rental schemes (by December 2011) and to remove the current requirement for local authority permit schemes in England to be approved by the Secretary of State (by April 2012). In relation to both lane rental and permit schemes, I expect the Department to be consulting on legislative proposals over the summer.

I certainly sympathise with local authorities' concerns about street works causing long term damage, and with the view that "the polluter should pay". However, I consider that where a utility company's highway reinstatement is substandard local authorities currently do have adequate powers to require them to put things right.

Where reinstatements are completed to a good standard but there is a risk of long term damage to the road, I am yet to be persuaded that implementing the statutory powers about resurfacing and recovering would offer a proportionate and workable solution that creates the right incentives for utility companies. I am concerned that the resulting costs would simply

feed through into utility bills rather than changing utility companies' behaviour for the better. It would therefore still be households and businesses who ultimately bear the costs of long-term damage, whether through taxation (as now) or through utility bills.

The proposal to allow councils to take a bond from utility companies in order to make recouping the cost of remediation easier is inconsistent with the Coalition Government's commitment to reduce regulatory costs on business. A more pragmatic approach would be to reduce the extent of long-term damage costs through a greater focus on high-quality reinstatements.

I do not propose to bring forward legislative proposals in this area in the foreseeable future, but the Department will continue to keep the position under review through its ongoing engagement with the Highway Authorities and Utilities Committee, and other interested parties.

I hope this reply helps to clarify the position.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Norman Baker', with a stylized, cursive script.

NORMAN BAKER

Norman Baker MP
Great Minster House
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14th June 2011

Dear Norman,

Thank you for your letter of 7th June outlining your response to the concerns and recommendations on streetworks set out in my letter of 13 April.

I welcome the move to introduce regulations on lane rental and to remove the requirement for local authority permit schemes in England to be approved by the Secretary of State. We look forward to seeing the details of the legislative proposals in the summer.

However, I am disappointed that you have not been able to look on the other recommendations outlined in my letter more favourably. The experience of local authorities in operating within the existing legislation points to the ineffectiveness of the current framework and the imbalance of power in the relationship between local authorities and utility companies. This is an important issue, particularly when one considers the long term economic impact of substandard highway reinstatement. We will continue to press for greater powers for local authorities in this area.

Yours sincerely



Cllr Peter Box
Chairman, LG Group Economy and Transport Programme Board

Cornwall Council – County Hall, Treyew Road, Truro, TR1 3AY

