

# Economy and Transport Programme Board

Agenda

Thursday 8 September 2011  
11.00am

Smith Square Rooms 1 & 2  
Local Government House  
Smith Square  
London  
SW1P 3HZ

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

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**Economy and Transport Programme Board**  
8 September 2011

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## **Notification**

The **Economy and Transport Programme Board** meeting will be held on **Thursday 8 September 2011 11.00am** in **Smith Square Rooms 1 & 2, Local Government House, Smith Square, London, SW1P 3HZ.**

**Please note that there will be a Lead Members' Pre-meeting at 9.15am in Meeting Room 6.**

Refreshments will be available upon arrival and lunch is at 1.00 - 2.00pm

## **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](mailto:aicha.less@local.gov.uk)  
**Conservative:** Angela Page: 020 7664 3264 email: [angela.page@local.gov.uk](mailto:angela.page@local.gov.uk)  
**Liberal Democrat:** Evelyn Mark: 020 7664 3235 email: [libdem@local.gov.uk](mailto:libdem@local.gov.uk)  
**Independent:** Group Office: 020 7664 3224 email: [independentgroup@local.gov.uk](mailto: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 map showing the location of Local Government House is printed on the back cover.

## **Contact**

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



## Agenda

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<b>Meeting title:</b>	<b>Economy and Transport Programme Board</b>
Meeting date:	8 September 2011
Meeting time:	11.00am
Meeting venue:	Smith Square Rooms 1 & 2, Local Government House

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<b>Part 1</b>	<b>Main agenda items for Discussion</b>		
1.	<b>Welcome and introductions</b>	11.00am	
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3.	<b>Road Safety</b>	11.20am	13
4.	<b>Local Growth Campaign – supporting council’s ambition for local economic growth</b>	11.40am	15
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**Date of Next Meeting: Thursday 17 November 2011, 11.00am – 1.00pm**



**Item 2**

## **Membership, Terms of Reference, Meeting Dates and Appointments**

### **Purpose of the report**

For noting and decision

### **Summary**

This report sets out the membership, terms of reference and dates for the Economy and Transport Programme Board for the 2011 / 12 meeting cycle and invites the Board to appoint representatives.

### **Recommendations**

The Board is asked to:

1. formally note the membership, terms of reference and dates for the LG Group Economy and Transport Programme Board (attached as **Appendix A, B and C** respectively)
2. and to appoint representatives (as detailed in **Appendix D**) to the:
  - 2.1 Urban Commission Steering Committee
  - 2.2 Rural Commission
  - 2.3 Outside Bodies.

### **Action**

As agreed by the Board.

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**Economy and Transport Programme Board  
Membership 2011 - 12**

<b>Councillor</b>	<b>Authority</b>
<b>Conservative (6)</b>	
Shona Johnstone <b>[Vice-Chair]</b>	Cambridgeshire CC
Andrew Carter	Leeds City
Kevin Lynes	Kent CC
Philip Atkins	Staffordshire CC
+Tony Ball	Basildon DC
Neil Clarke	Rushcliffe BC
<b>Substitutes:</b>	
*Gillian Brown	Arun DC
*Paul Yallop	Worthing BC
Kevin Bentley	Essex CC
<b>Labour (5)</b>	
Peter Box CBE <b>[Chair]</b>	Wakefield MDC
Mark Dowd OBE	Merseyside Travel / Sefton Council
Roy Davis	Luton BC
* Claire Kober	Haringey LB
* Anne Western	Derbyshire CC
<b>Substitutes:</b>	
Tony Page	Reading Council
* Guy Nicholson	Hackney LB
<b>Liberal Democrat (2)</b>	
* Roger Symonds <b>[Deputy Chair]</b>	Bath and North East Somerset Council
Richard Knowles	Oldham MBC
<b>Substitutes</b>	
Heather Kidd	Shropshire Council
<b>Independent (1)</b>	
*Mike Haines <b>[Deputy Chair]</b>	Teignbridge DC
<b>Substitute</b>	
TBC	

**Note:** \* new member/substitute + substitute in 2010-2011



## **Economy and Transport Programme Board Terms of Reference 2011 - 12**

The purpose of the Economy and Transport Programme Board is to provide strategic oversight of all the LG Group's policy and improvement activity in relation to transport, economic development, business support, regeneration and job creation and skills and training provision, in line with the LG Group priorities. The Economy and Transport Board will also address specific regulatory and LG Group European lobbying priorities as they relate to this activity.

Programme Boards should seek to involve councillors in supporting the delivery of these priorities (through task groups, Rural and Urban Commissions, Special Interest Groups (SIGs), regional networks and other means of wider engagement); essentially operating as the centre of a network connecting to all councils and drawing on the expertise of key advisors from the sector.

The Economy and Transport Programme Board will be responsible for:

1. Developing a thorough understanding of council priorities and performance in the areas of responsibility, using strong networks and robust information.
2. Helping to shape the LG Group Business Plan by ensuring the priorities of the sector are fed into the process.
3. Overseeing a programme of work to deliver the strategic priorities set by the LG Group Executive, covering lobbying/campaigns, research/policy, good practice, improvement support and events – as specified in the business plan, taking into account linkages with other policy boards where appropriate.
4. Representational and lobbying activities on behalf of the LG Group and responsibility for the promulgation of activity through public statements in its areas of responsibility.
5. Building and maintaining effective relationships with key stakeholders.

The Economy and Transport Programme Board may:

- Appoint members to relevant outside bodies in accordance with guidance in the Political Conventions.
- Appoint member champions where appropriate (who must be a current member of the Board) on key issues, with responsibility for liaising with portfolio holders on key issues that require rapid response/contact with councils.

**Economy and Transport Programme Board  
Meeting Dates 2011 - 12**

<b>DAY (2011)</b>	<b>DATE</b>	<b>TIME</b>	<b>ROOM / VENUE</b>
Thursday	8 September 2011	11.00am – 1.00pm	Smith Square 1 & 2
Thursday	17 November 2011	11.00am – 1.00pm	Smith Square 1 & 2
<b>DAY (2012)</b>			
Thursday	19 January 2012	11.00am – 1.00pm	Smith Square 1 & 2
Thursday	22 March 2012	11.00am – 1.00pm	Westminster Suite
Thursday	24 May 2012	11.00am – 1.00pm	Smith Square 1 & 2
Thursday	19 July 2012	11.00am – 1.00pm	Smith Square 1 & 2



## **Economy and Transport Programme Board Appointments to Outside Bodies 2011 - 12**

1. The Local Government Group currently benefits from a wide network of member representatives on outside bodies across a wide range of the LG Group member structures. These appointments are reviewed on an annual basis across the Group to ensure that the aims and activities of those outside bodies remain pertinent to the LG Group.

2. Members are asked to consider and agree one nomination from this Board to each of the following bodies, with the following proportionality (based on the political makeup of the Programme Board's membership) as a guide to Members:

Conservative Group: 2 nominations

Labour Group: 1 nomination

2.1 Urban Commission Steering Committee (1 place)

2.2 Rural Commission (1 place)

2.3 Motorists Forum (1 place)

3. In addition, the Board has historically appointed to the following bodies on the basis that all political parties have representation. Nominations are therefore sought, but do not play part of the proportionality considerations above.

3.1 Bus Partnership Forum (4 places)

3.2 Transport Futures, Special Interest Group (4 places)





**Item 3**

## **Road Safety**

### **Purpose of the report**

For discussion

### **Summary**

Lord Dubs, Chairman, Road Safety Foundation and John Dawson, Chair of Managing Committee, Road Safety Foundation will present to the committee on the work of the Road Safety Foundation and the results of recent research into the costs and benefits of achieving safe roads.

The Road Safety Foundation is keen to explore the role of local authorities in addressing road safety issues.

The Road Safety Foundation is a UK charity advocating road casualty reduction through action on roads, vehicles and behaviour. For the last decade, it has focused on leading the establishment of the European Road Assessment Programme (EuroRAP) in the UK and internationally, and is the UK member responsible for managing the programme in the UK and Ireland.

### **Recommendation**

Members are asked to consider the implications for local authorities.

### **Action**

Officers implement programme of support as agreed by members.

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**Item 4**

**Local Growth Campaign - supporting council's ambition for local economic growth**

**Purpose of the report**

For comment.

**Summary**

This report updates the Board on plans to develop a debate in the sector on the local ambition for economic growth. For new Board members, it summarises the ideas first presented at the June Board meeting.

**Recommendation**

The Board is asked to comment on the paper.

**Action**

Officers to produce a more detailed delivery plan based on members' comments.

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## **Local Growth Campaign - supporting council's ambition for local 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 19<sup>th</sup> 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. Our record and history in this area is vast. However, the sector's offer needs to be refocused to reflect a new era defined by:
  - 3.1 new institutions, such as Local Enterprise Partnerships (LEPs)
  - 3.2 much less public finance, but new financial mechanisms available to councils
  - 3.3 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.

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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 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.
7. 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.

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

8. 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:

- 8.1 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? What economic decisions should be taken at which level – are they decisions local government could devolve?
- 8.2 Securing and using new local taxation powers.

The ambition that councils **do** have:

- 8.3 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.
- 8.4 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 councils maximise the opportunities from bringing different levers together?
- 8.5 Using people power: How do 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?

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- 8.6 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**

9. In order to develop an effective debate in the sector and with partners, the way in which we deliver the “Local Growth” campaign is very important. Therefore, members are asked to consider the following issues: location, content, partnerships, style and outputs:

9.1 Location and content: We have begun to put in place the arrangements for a series of debates in which Board members would play a leading role – we will commission discussion papers from members, the LG Group, think-tanks and commentators; focus on a series of town hall meetings around specific themes (led by Board members in localities – please see table below); and use e-communications through twitter and other social media.

9.2 Partnership: We will work closely with business organisations and other partners, including the voluntary sector. The British Chambers of Commerce and Federation of Small Businesses have already indicated that they would like to be involved in such debates. Members may wish to suggest other partners to be involved.

9.3 Style: It will be important that we divert from the traditional styles of debate (speaker, papers, Q+As, etc) to try and engage different audiences. For example, at one event we could use present ideas to a “jury” of young people to see which organisation had the most innovative ideas to engage young people in work. Other ideas include an essay competition for young economists to stimulate new ideas for local growth. Members may wish to develop these and other ideas.

9.4 Output: The results of the debate will be brought together in refreshed lobbying positions. For example, a debate at the LGG conference in Birmingham in July 2011; an LG Group Green Paper on growth ideas; or 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.

10. Members are asked to consider this proposal, comment on the general principles and make suggestions for delivery.





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**EVENTS**

<b>Suggested Themes TBC</b>	<b>Location</b>	<b>Date and Venue</b>	<b>Lead – E&amp;T Lead Members chairing</b>
Smith Square debate – LEPs one year on	Smith Square	Wednesday 23rd November, Westminster Suite, Smith Square	PM/ER
People, employment and skills	West Midlands LGA/Birmingham CC	Thursday 15 <sup>th</sup> December, WM Councils Partnership Centre, Birmingham	TBC
People, employment and skills	London conference with CESI on employment support	Tuesday 24 <sup>th</sup> January, Bevan Hall, Smith Square	PM (C&E managing- Amanda Spicer)
Enterprise and innovation	Wakefield	Wednesday 25 <sup>th</sup> January, Kingswood Suite, Wakefield Council	TBC
Innovation/Commercialising Innovation*	East of England/Cambridge	Thursday 16 <sup>th</sup> February, Smartlife low carbon centre (Nth Cambridge)	TBC
Funding infrastructure and investment	ANEC	Tuesday 21 <sup>st</sup> February, Civic Centre, Newcastle	TBC
Transport and connectivity	Leeds		TBC
International dimension	EU London Office	Tuesday 13 <sup>th</sup> March, Europa House, Westminster	NP/IW. NP arranging



## **Transport Devolution**

### **Purpose of the report**

For discussion and direction

### **Summary**

The LG Group's lobbying for greater local control in transport has been successful. The Department for Transport (DfT) is preparing to devolve greater control of bus services, rail franchising and Local Major Transport Scheme funding.

Devolution needs to enable better local transport integration. The LG Group can support local authorities and their communities by campaigning for a strategic approach to devolution, aimed at delivering better local economic outcomes as well as addressing specific rail and bus issues.

The Board can work with the sector and government to understand the value for money arguments and the financial and governance arrangements which will make devolution work.

### **Recommendation**

Members are asked to consider the proposals and political leadership required.

### **Action**

Officers to implement programme of support as agreed by members.

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## **Transport Devolution**

### **Background**

1. The context for all public policy decision-making is shifting quickly and significantly. Reduced public funding and the move to greater localism, which is given legislative foundations through the Localism Bill and the New National Planning Policy Framework, will have long term implications not least in the area of transport policy.
2. The LG Group has successfully argued that transport networks, including rail, are crucial to the sustainable economic development of cities and local economies and that there should be greater control by local authorities over decisions about transport investment in their areas.
3. Two recent developments, the Competition Commission's 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 local control.
4. Ensuring that transport is integrated at a local level is essential to achieving the full economic benefits of local control of decision-making. The LG Group has a key role in ensuring that discussions on devolution of transport responsibilities are joined-up.
5. Local authorities and their partners will want to take advantage of the opportunities provided by the move to greater localism, but will need to understand the specific circumstances in which it makes sense to take on these new responsibilities.
6. Examples from elsewhere, including the Netherlands, demonstrate that there is scope for a more integrated approach to local transport planning and delivery which could include integrated contracts for rail and bus services. Opportunities to explore such approaches need to be created here.

### **Economic benefits of local control of transport**

7. Research on the economic benefits of local control of transport is limited. However, Eddington (2006) looked in depth at the relationship between transport infrastructure and the local economy. His report acknowledged the complexity of ensuring that transport decisions are taken at the right level. However, the report noted a number of points which suggest that it is necessary for local authorities and their local partners to embrace greater local transport decision-making including:

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- 7.1 the significant number of journeys which are self-contained at a sub-national level
  - 7.2 the need to ensure that decision-making for transport fits with decisions on housing, employment, skills, planning, physical regeneration and economic development
  - 7.3 the need to draw on local knowledge to identify tailored solutions.
8. However, the move to devolve is taking place at a time of unprecedented reductions in public spending. Local government will only want to take on greater responsibilities once it has understood the risks and negotiated the right terms for a more devolved system.
  9. A key question in relation to rail and bus devolution will be whether greater economic benefit can be attributed to local control of transport. Studies of some continental European city regions suggest that there is a close link between local control over transport, very well organised public transport policies and impressive GDP per capita outcomes for those cities. In contrast, GDP per capita in UK city regions, outside London, is relatively low and a lack of local control over transport decisions is likely to be one of the contributing factors.
  10. The Association of Community Rail Partnerships, in a joint project with Department for Transport and Passenger Focus, commissioned Transport Regeneration Limited to present an evidence base on the value of Community Rail Partnerships (CRP). This found that an active CRP could boost usage by 7 per cent over three years – equivalent to 2 per cent a year – over and above underlying growth in comparable lines and that CRPs provided economic benefits by supporting access to work and education and by encouraging tourism and regeneration.
  11. A recent report for the Passenger Transport Executives Group (PTEG) demonstrated that smaller public transport schemes (such as bus priority bus schemes) of the sort which can only be delivered by local/regional bodies funded by the Integrated Transport Block (which was halved in the CSR) show high value for money.
  12. Where research has been done it seems to indicate that greater local control over transport decisions leads to better local outcomes.

Recommendation: There is a need to maintain a policy debate with transport Ministers to ensure that devolution is strategic and joined up. As part of the process of debate it will be important to continue to gather and disseminate evidence of the benefits of local management of transport decisions.

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**Bus Services**

**Summary**

13. There is now a growing recognition that local control of bus services would lead to better outcomes for service users. The recent Competition Commission's Report has pointed out the failures of the current system to generate any real competition in local service provision. The LG Group has argued for the current subsidy package to be replaced with a devolved single stream of public subsidy for bus services that would empower local transport authorities to commission bus services from providers and purchase concessionary fares schemes locally. The need for reform to break the cycle of fare increases and service reductions is now even more pressing.
14. The ongoing review of the Bus Service Operating Grant (BSOG) is likely to lead to greater control by local authorities over how this grant is spent. This is a move in the right direction and is to be welcomed.

Recommendation: With the Competition Commission's final report on bus services imminent, the Board may wish to engage with ministers as soon as possible on wider reforms to the management of local bus services.

**Reforming the system**

15. The LG Group has a long held position that there is a greater role for local authorities in local bus franchising and that there should be a single stream of bus subsidy and local determination on how this is spent.
16. The Competition Commission's interim report on bus competition has supported the LG Group view on the need for greater local authority involvement in bus franchising. It is now necessary for local government to work with Government and providers to establish what this would mean in practice.
17. Quality Contracts are a provision of the 2008 Transport Act which ostensibly provide a mechanism for local authorities to franchise bus services. However, this approach is unpopular with local authorities because it is bureaucratic and costly. In discussion with partners we need to establish:
- 17.1 the changes that could be made to the existing process to make Quality Contracts a viable approach
  - 17.2 the additional support the central government could provide to enable examples of local franchising to be established, this could include simplifying the processes in pilot areas.

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18. The DfT is considering options for devolving responsibility for BSOG to local authorities. Although this falls short of the LG Group's call for devolution of a single funding stream, it is a positive move. There is a role for the Economy and Transport Board in ensuring that the devolution of BSOG funding provides for sufficient local determination in how the money is spent.
19. One of the most significant issues for bus services is the overall level of funding. Previous reports have noted the planned 20 per cent reduction in BSOG and the impact of the local government settlement on local transport investment. This has also been the subject of a recent Transport Select Committee report which noted the LG Group's role in identifying the impact of funding reductions and disseminating examples of innovative practice. However, there is now increasing evidence that the impact of reduced funding is acute and that the most vulnerable in our communities are disproportionately affected. Through the work of Association of Transport Co-ordinators (ATCO) and PTEG this is now documented.

Recommendation: The LG Group has a role in working with local authorities to develop an evidence base on the implications of reduced funding for bus services, to identify innovative responses and to consider the implications for wider bus reform.

## **Rail Services**

### **Summary**

20. There are a number of examples, including Merseyrail, Scotrail and Transport for London, where greater local control over rail has led to better outcomes for service users. Following the McNulty report, which calls for the greater involvement of local authorities in rail decisions, there is a move within government to explore devolution options. In any devolved system an effective relationship between local authorities and Network Rail (NR) will be crucial. The Board is already working with the Office of Rail Regulation on how this could be achieved.

Recommendation: The LG Group should develop an improvement offer to councils that can support political leadership and develop understanding of the opportunities and risks associated with rail devolution.

### **McNulty Report**

21. The report of the McNulty Inquiry recognised the need for greater local involvement in decisions about rail services and called for "greater localism, with more involvement in England of local authorities and/or PTEs, with local decision-making brought more closely together with budget responsibility and



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accountability”. It went on to recommend that the DfT should “establish and implement a subsidy control process in which individual programmes and, potentially, PTEs and/or local authorities manage their subsidy allocations, but the overall subsidy is managed centrally against the national plan”.

22. The report referred to “DfT’s discussions with PTEs on alternative models of franchising that could fit with a more devolved approach, and supports continuation of this work on franchising models and the development of an overall conceptual framework, with a view to possible first application on the re-franchising of Northern”. It argued that “even without substantive devolution, there could be merit in introducing, as a precursor to franchise procurement, stronger incentives for PTEs to propose efficiency measures and to receive a share of the benefits. In addition, there may be scope to allow local bodies other than PTEs to offer similar increment and decrement incentives to encourage greater local involvement”.
23. The McNulty report therefore offers local government an opportunity to exert greater influence over the provision of rail services and raises the distinct possibility that local authorities could take on responsibility for franchising rail services as has happened already in Merseyside, London and Scotland, with results that are generally seen as successful in terms of investment, performance and passenger satisfaction.
24. This initiative could represent a watershed moment in local government. If local councils can take on responsibility for local rail services they will significantly increase their power to influence the local economy.

**Devolution – issues**

25. At the same time there are a number of issues which will need to be addressed if devolution of rail franchising is to proceed.
26. Investment: For local control to make a difference, barriers to investment within the existing system need to be removed. Incentives and interfaces will need to be revised centrally. McNulty has recommended similar changes.
27. Cost structures: Costs need to be taken out of the system and the apportioning of costs between passenger and freight services needs to be reviewed.
28. Flexibility over franchises: Flexibility over the form of franchises will be required. Some councils may not want to be involved, others may be ready and able to be fully engaged. Different franchise lengths will be suitable in different areas. Maximum flexibility should be provided. Councils will need technical expertise in drawing up franchises. This currently only exists within DfT.

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29. Governance: Outside PTE areas, councils will probably need to form consortia if they want to manage franchises. Others may want to buy in that service from neighbouring PTEs. Again, a flexible approach will be essential.
30. Finance: McNulty argued that it ought to be possible to reduce the cost of the rail network by 30 per cent by 2018-9. There is a risk that if government simply hands over a tapering subsidy to local authorities that assumes McNulty's savings can be found, councils will be left with inadequate funds to operate services and in some areas devolution could mean councils being handed responsibility for reductions in spending.
31. Relationship between operator and infrastructure: this risk is heightened by the fact that much of the 30 per cent saving would have to come from an improvement in Network Rail's (NR) performance and a subsequent lowering of its charges. The relationship between franchiser, franchisee, regulator (ORR) and NR will need to be structured in a manner that ensures councils are not caught between the Government's pursuit of savings and NR's failure to deliver – receiving a reduced subsidy without seeing a reduction in NR's charges. The regulatory regime needs to be strong enough to ensure NR does deliver. One of the tests NR should be subject to is "what is NR doing to facilitate and encourage innovation, devolution and investment?" Barriers to these outcomes must be removed. This is why PR13 is vital (see below).

**ORR Periodic Review of Network Rail (PR13)**

32. At the Board's last meeting ORR set out the purpose of the periodic review it is undertaking of Network Rail. This should provide a major opportunity to drive through a step change in industry performance and efficiency. It will go beyond NR and look at how it should work more closely with train operators, suppliers and others to reduce costs and deliver more for customers. ORR made it clear that it wants to build on McNulty and involve the Board – and the sector – in the periodic review process. Given the issues set out above, sector involvement in PR13 could prove crucial in making rail devolution work. We have therefore initiated discussions with ORR at officer level and arranged a joint meeting with the board for 19 October. ORR's supervision of NR has been analysed – with some criticism - in a recent report by the Public Accounts Committee (a summary is appended). The regulatory framework which ORR will use to oversee NR will be key in ensuring the success of devolution; the board has a vital role to play in shaping that relationship.

Recommendation: Board Members are asked to consider the issues to be addressed in its discussions with the ORR

**Item 5**

**Local Major Transport Scheme Funding**

**Summary**

33. The government has signalled its desire to reduce central control over Local Major Transport Scheme funding. This represents a success for LG Group lobbying. There is now a key role for the Board to ensure that the reform delivers real devolution.

Recommendation: Devolution of transport funding is to be welcomed, but there is a need for the Board to discuss with Ministers how the devolution of local transport scheme funding can be integrated with other elements of transport devolution.

**Reform of the scheme**

34. Local Major Transport Scheme funding is another area where local authorities can expect to have a greater decision-making role. The DfT stated in November 2010 that it will “work in partnership with local communities to develop a new framework for the funding of Local Major Transport Schemes over time, one that will have a reduced role for central government and give a proper voice to locally elected representatives and business interests”. Any new arrangements will apply to Local Major Transport Scheme funding in the next spending review period from 2015. However, given the lead-in time required to develop schemes it is likely that decisions on the principles underpinning the future of the scheme will be taken in the next few months.

35. Any decision to decentralise is to be welcomed and represents a significant success for the LG Group’s lobbying. The current scheme has required local authorities to apply significant financial and other resources in a bidding process and there are opportunities in the design of any new scheme to substantially reduce these costs.

36. There are a number of issues which will need to be considered in the devolution of funding decisions. Issues include:

36.1 At this stage it is difficult to say what the level of funding will be in the next spending round from 2015. However, there is a continuing need for Local Major Transport Scheme funding. The LG Group will want to lobby for a sufficient level of funding as part of the Group’s overall work on the next CSR.

36.2 Moving away from a nationally determined bidding process will mean the introduction of an allocation process. There are a variety of variables that could be used to determine the allocation and each will result in a different pattern of allocation.

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- 36.3 Governance arrangements will be a key element of the reformed scheme. It is very unlikely that the allocation will be to individual authorities. A sub-national geography will be required which could be consortia of local authorities and/or LEPs.

37. The Economy and Transport Board has a key role in ensuring that:

- 37.1 the allocation process is fair
- 37.2 there is a strong degree of local democratic representation in the decision making process
- 37.3 local authorities themselves have significant flexibility in determining the appropriate local geography and shape of sub-national consortia.

**Conclusion and next steps**

38. The argument for greater local control in transport decision-making is strong and has been acknowledged both by McNulty and the Competition Commission. Detailed work will need to be done on rail and bus devolution, but it is important that the Board continues to champion a strategic approach to devolution which recognises the benefits of integrated local transport systems to better local economic, environmental and social outcomes.
39. The Board has a key role in developing and supporting political leadership which is essential to achieving the best outcomes for local communities from transport devolution.
40. Officers are meeting with local authorities and DfT officials and these discussions have been positive. However, a meeting between the Board and transport ministers is now necessary to ensure that devolution can take place in a way which achieves the best outcomes for communities.
41. Transport is an integral part of local economic development and a transport event is planned as part of the Economy and Transport Board's series of events aimed at supporting councils' ambition for economic growth (Item 3 on this agenda outlines the proposals in more detail).

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House of Commons Committee of Public Accounts  
**Office of Rail Regulation: Regulating Network Rail's efficiency**  
**Forty-first Report of Session 2010–12**

## Summary

*“The Office of Rail Regulation (the Regulator) is the independent economic and safety regulator of the rail industry in England, Scotland and Wales. The Regulator’s duties include promoting economy and efficiency in the rail industry with much of its work focusing on Network Rail, the owner and monopoly provider of the national rail network, including track, signalling and stations.*

*Network Rail does not face normal commercial pressures from investors and lenders to improve efficiency as it is a not-for-dividend company without shareholders, financed by debt guaranteed by the Government. It is therefore the role of the Regulator to hold Network Rail to account for its performance and to incentivise it to become more efficient. To this end, the Regulator sets efficiency targets when it determines the limits on fees Network Rail can charge train operators for use of tracks, stations and depots. It can also impose financial penalties, although the usefulness of this sanction is questionable as, by taking money away from investment in the railways, its impact falls mainly on passengers.*

*The Department for Transport (the Department) acknowledged the finding of Sir Roy McNulty’s recent review of the rail industry<sup>1</sup>, that the rail industry continued to fail to achieve effective value for money. In the five years to 2008-09, Network Rail reported efficiency gains of 27%, missing the target set by the Regulator of 31%, a shortfall of £204m.*

*Overall we do not believe that the Regulator exerted sufficient pressure on Network Rail to improve its efficiency, and that there is an absence of effective sanctions for underperformance in the system. We were particularly concerned that the Regulator did not enforce a stronger link between performance and bonus payments to Network Rail’s senior managers, leading to excessive bonus and performance payments being paid to senior executives.*

*The relationship between Network Rail, the Regulator and their advisors appears to us to be too cosy, with some companies hired by the Regulator to provide an independent view of Network Rail also providing advice to them. We question whether this serves the interest of independent review.*

*We believe Network Rail should be more accountable for its use of public money, and more transparent in its operations. In 2009-10, Network Rail received £3.7 billion in direct taxpayer support, yet it is not directly accountable to Parliament. The Comptroller and Auditor General should have full access to Network Rail so that Parliament can scrutinize Network Rail’s value for money.*

*The Regulator estimates that the gap in efficiency between Network Rail and the most efficient European operators was 34% to 40% in 2008, a position of relative inefficiencies which has not improved since 2003. The reasons for the gap are not properly understood, although Network Rail told us that they believed the single overriding factor was the difficulty of access to the railways to carry out maintenance work, which reduced its productivity and thereby increased its costs. The Regulator will need to conduct more detailed analysis to understand the reasons for the efficiency gap, and what can be done to address them. It is a concern to the committee that after 10 years in existence the Regulator has still not carried out this work.*

*As part of determining Network Rail's financial settlement, the Regulator takes into account the costs the company is likely to incur including the cost of inflation. In its last review in 2008, it made an assumption that Network Rail's operating costs would be 8% above inflation over a five year period. We found this to be over-generous, reducing the pressure on Network Rail to find efficiencies and reduce its costs.*

*Network Rail plans to reduce expenditure by about £1 billion on renewing tracks and replacing signalling over the five years to 2013-14. It is reliant on this reduction to meet most of its efficiency target. It intends to achieve this by a more selective approach to rail replacement, but there is considerable uncertainty over whether deferring this work is genuinely efficient or simply delaying costs for the future. Network Rail and the Regulator need to carry out further work to understand this, and to ensure that Network Rail is making real and sustainable efficiencies, which are safe.*

*Both punctuality and passenger safety have improved in recent years, with 91.3% of trains meeting the punctuality target in 2009-10, and we heard that the UK railway is amongst the safest in Europe. We agree with the Regulator that safety is paramount and must not be traded-off against other outcomes. But with growing demand for more trains, limited capacity and less maintenance, it is important that trade-offs between safety, efficiency, capacity and punctuality are made explicit.*

*Overall, the complex industry structure creates risks to value for money, with fragmentation, duplication of effort and misaligned incentives. This has been confirmed by Sir Roy McNulty's review. We welcome the Department's commitments to improve governance, transparency, and clarity of roles in the rail industry. We nevertheless would have expected the Department to have a clearer idea of the priorities and issues to be addressed at this stage. We look forward to the Department's response to Sir Roy McNulty's review, and will return to this issue when the Department decides on the changes required to improve efficiency. On the basis of a report from the Comptroller and Auditor General, we took evidence from the Regulator, Network Rail and the Department."*

**Item 6**

**Economic development improvement offer**

**Purpose of the report**

For discussion and direction

**Summary**

Under the new Local Government Group (LG Group), the Board leads both lobbying and improvement work. This report outlines how the LG Group could provide improvement support to local authorities in work on economic growth.

**Recommendation**

Board members are asked to discuss the suggested areas of support and how the LG Group can more effectively support portfolio holders of economic development in member councils.

**Action**

LG Group officers to implement programme of support as agreed by members.

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## **Economic development improvement offer**

### **Background**

1. Under the new integrated LG Group, the Board provides the political leadership of both lobbying and improvement services. Whilst funding for the latter is small, members are asked to consider some key themes for a Board-led improvement programme to June 2012.
2. There has been a great deal of change in the world of local economic development over the last year:
  - 2.1 The institutional landscape has changed with the introduction of sub-regional Local Enterprise Partnerships (LEPs) following the abolition of Regional Development Agencies and Regional Spatial Strategies.
  - 2.2 Unemployment is a growing concern, especially youth unemployment, which now stands at over 20%.
  - 2.3 Government, through the establishment of LEPs, will increasingly want to deal with local places through effective sub-regional public-private partnerships. The expectation is that all local and national efforts have to be about facilitating and driving private-sector growth.
  - 2.4 Local authorities are driving the localism agenda and through new powers and greater confidence are expected to coordinate and lead on improving the economic potential of their areas. This is critical as clearly the economic profiles, challenges and potential vary from place to place.

### **The key issues in developing a sector-led improvement offer**

3. LG Group officers recently held a roundtable of senior local authority economic development officers to gauge views on learning support from the LG Group and to test ideas for inclusion in any offer. Whilst there was a clear view that support and development was being addressed locally, it was suggested that a national offer from the LG Group would be welcome and have suggested the topics below as possible features in a LG Group support programme for officers dealing with regeneration:
  - 3.1 Looking at resource models and powers open to local government and its local partners and how these can be unlocked to drive the economic

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- development process – especially for those areas without access to Enterprise Zones and Regional Growth fund.
- 3.2 Exploring how councils can work together across sub-regions in supporting large projects; how duty-to-cooperate can work in practice.
  - 3.3 Engaging with and harnessing the business community to deliver local/sub-regional priorities.
  - 3.4 Opportunities from decentralised business rates.
  - 3.5 Emerging priorities, such as superfast broadband, green economy.
  - 3.6 Aligning local authority expenditure with LEP priorities, including New Homes Bonus.
  - 3.7 Providing young people with better services to access the jobs market.
  - 3.8 Collaborating with prime contractors on the Work Programme.
4. It is also important that a member-level offer is developed which addresses the new economic development landscape and the inter-dependencies with other social and environmental policy agendas.
  5. One area of work that has been underdeveloped in the past has been supporting a learning and development network of regeneration and transport portfolio holders in councils. Such a network would also allow the Board to test lobbying positions with a wider network of councils. It is suggested that any improvement offer to councils is based around the idea of developing such a network.
  6. Members are asked to consider this issue and any early topics that would provide effective development and learning for members. Some suggestions which have already been received include:
    - 6.1 public / private sector opportunities and relationships
    - 6.2 leadership skills in a new world
    - 6.3 cross-boundary working
    - 6.4 unlocking resources and using public assets to promote growth
    - 6.5 relationship with central government and with town and parish councils
    - 6.6 the impact on economic development of other reforms, for example community asset transfer.

**Delivery and learning styles**

7. If we are to develop an improvement offer for members and officers, it is important that we consider a number of ways of delivering such support to ensure that busy officers and members are able to take up any offers.
8. The Local Growth Campaign (for which there is a separate paper – Item 4), will provide a forum in which councils can debate both practice and emerging ideas. But there is a need to offer a mix of approaches in supporting councils, both at officer and member level. Traditionally, the LG Group have found effective ways

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of engaging officers in learning and sharing initiatives, with on-line mechanisms, such as Communities of Practice and discussion papers proving popular. For example, there are over 500 members signed up to the LEP Community of Practice and over 450 on the Tackling Worklessness community. The last three on-line discussions attracted around 250 'participants'. There are very few elected members on the Communities of Practice platform.

9. Summary feedback to the LG Group is that whilst on-line mechanisms are effective for council officers, what tends to work better for elected members are face-to-face, bespoke activities, such as a Leadership Academy. In December 2010, a Leadership Academy event was piloted on the issue of LEPs which attracted 25 participants, 90% of whom found it an effective learning method. The 2-day event involved a mix of speakers, group discussions and networking. Elected members, businesses and central government contributed at the event.
10. Officers are exploring how we could deliver such events with a much smaller budget, through working with business and regional associations to ensure that costs are low.

**Conclusion and next steps**

11. Board members are asked to consider the issues raised in the report. Following direction from Board members, LG Group officers will develop early events and a longer-term programme which will be discussed at future Board meetings.
12. It should be noted that transport issues in relation to improvement support are dealt with in an earlier report to this Board on transport delivery.

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**Item 7**

## **Headlines of the work programme 2011 - 12**

### **Purpose of the report**

This report provides members with the headlines of the 2011-12 work programme of the Board.

### **Summary**

This report sets out the headlines of the Board's work in 2011-12. Members are asked to discuss and confirm the work priorities. Members should note that there will be a performance report against the work priorities which will be reported to the Board every quarter.

### **Recommendation**

For Members to note activities and the 2011-12 reporting process.

### **Action**

As agreed by the Board.

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**Item 7**

## **Headlines of the work programme 2011 - 12**

### **Economy**

1. The headline work programme will be:

- 1.1 A campaign to emphasis councils' role in stimulating economic growth, through a series of town hall meetings across England. These events will be jointly branded and run with host authorities. The events will be focussed on specific themes relevant to the area in which they are taking place, for example: solutions to economic diversity across England, international comparisons and local cohesion in the context of global markets.
- 1.2 A programme of support to councils and partners on economic development will be developed.
- 1.3 The focus on worklessness continues with the development of the *Hidden Talents* campaign on engaging young people more effectively in work, learning and volunteering. We will also look at the opportunities for greater localism in welfare reform as universal credit and the Work Programme is rolled out.
- 1.4 Our work on EU funds continues and the current focus is our campaign to maximise UK take up of regeneration funds under EU budget review, and to ensure local delivery of those funds.
- 1.5 We maintain a watching brief on the BIS High Street review; HE/FE input into skills debate, and the future of Post Offices.

### **Transport**

2. The headline work programme will be:

- 2.1 Our programme of work on localising transport delivery has focussed recently on developing a discussion with the Department for Transport (DfT) on the most effective form of delivery, after localism was given a green light on rail by the McNulty report that was published in May, and on buses and roads via the Competition Commissioner. We also anticipate devolution in other areas such as the Local Major Transport Scheme funding. Work in this area will concentrate on getting councils to help model new ways of delivery jointly with the DfT to ensure that greater devolution of transport is achieved.

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- 2.2 We will keep the wider transport policy debate alive, for example, through lobbying DfT and a series of papers to enhance our arguments examining the benefits of a more localist approach to transport delivery.
- 2.3 A programme of support to councils on transport will be developed, especially looking at the opportunities and risks of local management of roads and rail.
- 2.4 We continue to keep a watching brief on; roads maintenance, winter weather and salt provision, and the highways efficiency review.

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**Item 8**

## **Business Rates**

### **Purpose of the report**

For noting attached briefing and submission of comments

### **Summary**

The Government is currently consulting on councils retaining business rates locally. The LG Group supports the principal of the repatriation of business rates. Its initial response to the consultation is attached which sets out the LG Group view and a summary of the proposals. A formal LG Group response to the Government's proposals is being drafted and there will be a draft response from the LG Group, which will be presented to the LG Group Executive in October.

### **Recommendation**

Members are asked to note the consultation and to make any comments through their Political Group Offices.

### **Action**

As agreed by the Board.

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# Local Government Resource Review: Proposals for Business Rates Retention - Consultation

LGA Briefing



## Introduction

- The proposed business rates retention scheme will initially work within the expenditure limits set as part of Spending Review 2010.
- Any forecast business rates income above this will be set aside and directed to local government through other grants. Local authorities will benefit from growth in business rates above forecast levels.
- Rate setting powers will remain under the control of central Government. The revaluation process will be unchanged.
- At the next Spending Review, the Government will consider the total spending figures for local government with a view to more closely aligning local authority functions and responsibilities with business rates income from 2015-16.
- Police and fire authorities will, for 2013-14 and 2014-15, receive guaranteed funding at the levels set in Spending Review 2010. The way these authorities are funded will be fully reviewed in time for changes to be made at the next Spending Review.
- The consultation period will run for 14 weeks, closing on 24 October.
- The Government intends to bring forward legislation later in this session with a view to introducing business rates retention from April 2013.

## LGA view

- **The LGA supports the principal of the Government carrying out a consultation on proposals for repatriation of business rates.**
- The consultation proposals set out a range of options for moving to a clearer and more straightforward system of local government finance. **The LGA is pleased that the government wants to work with all local authorities, representative groups and political parties to achieve lasting change.**
- **The current system of local government finance is incredibly complex. It has left residents and businesses confused about the relationship between the money they pay and the how much the council has to spend on services.** With local authorities dealing with significant reductions in the money they receive from central government it makes sense to adopt a system that gives them greater freedom and flexibility.
- **Fairness must be at the heart of any new system.** Moves toward the localisation of business rates must be done in a way which recognises the advantage that national infrastructures give some authorities over others and takes into consideration the needs of a local authority. **The aim must be to give councils greater freedom and incentive to encourage growth in local areas** while allowing every community to benefit from national prosperity.
- **All local authorities need to be satisfied that the reforms will deliver a fair deal for their local communities.**
- As the Government makes clear, **this does not significantly change the 2010 Spending Review settlement** (which the LGA characterised as “one of the toughest across the public sector”). **The key change is that councils will have access to any business rates growth above that forecast from 2013.** We will be pressing the government for transparency on this.

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# Briefing

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- **We would encourage all member authorities to participate fully in the consultation** and will be actively seeking your views throughout the consultation period as we develop the LGA response
  - **We have set up a Community of Practice to facilitate discussion with members.** You can register for the CoP on our website: <http://www.communities.idea.gov.uk/login.do>
  - We are hosting a **web-based seminar** from 2.00 - 3.30pm on the 22nd July to **discuss the proposed business rates retention scheme.** Stephen Jones, Director of Finance for the LG Group, will give an overview of the Government's proposals, followed by views from a range of experts in the sector on what the proposals mean for local authorities. **Further details are available on the main LG Group website.**
  - We intend to provide **further briefings and updates** throughout the summer as the technical papers are released.
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## **Proposed scheme for business rates retention**

There are seven components to the proposed scheme:

### **Setting the Baseline**

- The Government will set out a baseline position in 2013-14 for each local authority. This will use the 2012-13 formula grant as a baseline, either unadjusted or with some limited technical updates. A separate more detailed consultation paper on this will be published in August.

### **Setting tariffs and top-ups**

- Authorities whose business rates income is higher than their baseline would pay the difference to government as a 'tariff'. Those whose business rates are less than their baseline would receive the balance as a 'top-up'.
- In future years tariffs and top ups could either be uprated by the Retail Prices Index (RPI) to reflect the annual increase in the business rates multiplier or retained at their original year 1 amounts. A technical paper on measuring business rates income will follow in August.

### **The incentive effect**

- The Government says that from 'year one' all local authorities would stand to benefit from retaining increases in business rates. This would provide an incentive for councils to engage with businesses in their area to maximise growth.

### **A levy to recoup a share of 'disproportionate benefit'**

- The Government proposes to collect a levy from those councils with the highest business rates income. This, the consultation document says, can help with moderating the 'gearing effect' between different need to spend and ability to raise business rates.
- There are a number of ways in which this can be calculated:
  - It could be based on the **same rate** for all authorities; this would be simple but would not deal with this gearing effect.
  - It could be based on putting authorities in **different bands**
  - Finally; it could be based on **revenue**; so that if an authority grows its business rates income by 1% it would be allowed 1% growth in its baseline revenue. This percentage could be varied up or down; for example if it was 2% a high number of authorities would keep all their growth; or it was 0.5% there would be more of a levy income

- The proceeds of the levy could be used:
  - To **manage volatility** in authorities' business rates income, due to factors such as appeals and changes to properties or due to sudden changes in economic circumstances.
  - To **support authorities with low growth**, through a 'safety net' mechanism. Access to this could be triggered if business rates fall by more than a certain percentage each year or if they drop by more than a certain percentage below the original baseline business rates. Further details will be in a technical paper to be published in August.
  - If there is sufficient income left there are a variety of **other possible uses**: including providing ongoing support to authorities which have experienced loss, top-up the growth reward for low business rates authorities, support expenditure on targeted projects to encourage growth, or redistribute in proportion to the baseline.

## Revaluation

- The tariff and top-up for each authority would be adjusted when business rates are revalued; so that the sum of top-ups and tariffs was the same after as before revaluation.
- The document does not propose any other changes to revaluation; so the multiplier would still fall to reflect any increase in overall taxbase.
- It is proposed that the impact of transitional relief allowed following revaluation is stripped out from the business rates retention scheme.
- Further details are expected in another technical paper to be published in August.

## Resetting the system

- The document says there are two possible approaches to resetting the underlying tariffs and top-ups:
  - The Government could decide not to set a fixed period for resets; they say this will allow the incentives to remain in the system for longer.
  - Alternatively there could be a fixed period for resets: the possibility of a ten year period is trailed, which would offer a strong incentive effect; alternatively a shorter reset period would allow a more frequent reassessment of spending needs. In addition resets could relate to the baseline position only or to the whole system, including the incentive growth.

## Pooling

- The Government proposes that local authorities could come together voluntarily to form a pool; the pool would be treated as a unit in the system, with a single tariff and top-up and a single levy.
  - Pools could decide for themselves how they distribute business rates growth, including any levy proceeds, amongst their members.
  - The Government wants to encourage pooling, subject to assurances on workability and governance and what would happen if pools dissolved.
  - The Government suggests that in two tier areas it makes sense for districts to align with their counties; it is suggested that, if a district formed a pool outside its county area, it might still be required to pay a fixed proportion of its business rates to its county. Two tier arrangements are to be covered in one of the more detailed technical papers to be issued in August.
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## **Further Information**

### **Police and Fire authorities**

- The Government propose that police and fire authorities should, for 2013-14 and 2014-15, be funded without being impacted by the business rates retention scheme.
- Police and fire authorities will therefore continue to receive funding at the levels set in Spending Review 2010 for those years. Beyond that, there will be a full review of future funding arrangements, including the option that the police might receive all funding from the Home Office.

### **New Burdens**

- The New Burdens principle will continue to operate; but additional sums for particular policies may go into grants such as the Local Services Support Grant although the funding could subsequently be mainstreamed into the business rates retention system.

### **Tax Increment Financing**

- The Government is consulting on two options for how Tax Increment Financing (TIF) could operate within a business rates retention system.
- Under 'Option 1', local authorities would have full discretion to determine whether to invest in a TIF scheme. However, any additional business rates growth on top of the tariffs and top ups set in year one would be subject to the "disproportionate growth" levy and growth would also be taken into account in any future reset of tariffs and top ups.
- 'Option 2' proposes that additional business rates growth would not be subject to any levy or be taken into account in any reset of tariffs and top ups. However, schemes would require government control or approval in order to limit the number of schemes coming forward, with a view to ensuring that the levy pot was maintained at a level sufficient to manage volatilities.
- The Government also proposes that all uplift in business rate revenues within an Enterprise Zone would be retained by the Local Enterprise Partnership, and not subject to a levy or reassessment of tariffs or top ups.
- The Government will publish a detailed technical paper on TIF following the close of the consultation on business rates retention.

### **New Homes Bonus**

- The Government proposes to fund the New Homes Bonus from 2013-14 by fixing individual authorities' tariff and top up amounts at a level that would allow a sufficient sum to be top-sliced from the total business rates yield to fund the future cost of the bonus.
- To ensure that the tariffs and top ups can remain fixed; the Government would take out from 'year one' of the retention scheme the total required to fund the New Homes Bonus at its steady state.
- Since a significant amount of this pot may not be needed in the early years of the bonus scheme, the Government would return any surplus to local government each year. One option being considered for returning the surplus is to redistribute the amount to local authorities in proportion to their baselines.

### **Business rates reliefs**

- No changes to the current system of reliefs, including eligibility, are proposed.
- An allowance to cover the central government funding element of discretionary reliefs will be provided.

- As tariff and top up calculations will need to take account of reliefs, a technical paper will be published in August setting out options for how this could work in practice.

### **Changes to collection and enforcement**

- The Government proposes to:
  - allow billing authorities to publish certain statutory information which accompanies business rates online, although they would be required to send out hard copies on request;
  - operate multi-year billing for business rates; and
  - clarify legislation on business rates refunds so that billing authorities can offset outstanding liabilities from previous years before offering refunds.

### **Technical papers**

Further detail on a number of elements of the retention scheme will be released through a series of technical papers expected to come out in August, including the:

- Establishment of the baselines and implications for fixing them for a number of years between resets
- Options for measuring business rates
- Non-billing authorities, specifically the basis for funding police and fire authorities in 2013-14 and 2014-15 and for apportioning rates between authorities
- Implications of the proposed scheme for business rates administration
- Options for the design of tariffs, top ups, the levy and use of levy income
- Options for dealing with volatility
- Revaluation and transition
- Definitions of renewable energy and the treatment of rates from renewable sources

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**Further information:** For further information on this briefing, please contact Ben Kind, LGA Public Affairs and Campaigns Manager on 020 7664 3216 or [ben.kind@lga.gov.uk](mailto:ben.kind@lga.gov.uk)





**Item 9**

## **Economy Update**

### **Purpose of the report**

For updating the Board on economic news of interest to local government.

### **Summary**

This note summarises the continuing global economic uncertainty – characterised by stalled growth in developed economies, sovereign debt crises, falling stock markets – and the summer’s key economic developments for councils and local enterprise partnerships.

### **Recommendation**

The Board is asked to note the report.

### **Action**

As agreed by the Board.

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**Item 9**

## **Economy Update**

### **The economic situation**

1. The main economic story is the global economic uncertainty, financial turbulence and jittery stock markets and the recessionary threat this all poses to the domestic economy.
2. Two of the most significant examples of this turbulence are that the US government is no longer triple AAA rated (by Standard and Poors) and the calls for the 21 July “second bailout” package for Greece to be implemented as soon as possible.
3. By contrast, India’s growth fell to 7.7% in the three months to June and China continues to experience double digit economic growth. Some see the current contrast in global economic fortunes as symptomatic of a seismic shift in the economic power plates from west to east.
4. In the UK the latest growth figures are 0.2% in the three months to June (ahead of France and Germany). Manufacturing output fell by 0.4% in June. There is mixed news on the housing market – 79,000 homes were sold in July lower than a year ago, but Bank of England statistics show mortgage approvals 3% higher than in the previous July.
5. As measured by Consumer Price Inflation, inflation was at 4.4% in June, double the Bank’s target rate. Energy prices rises are likely to drive CPI above 5% in coming months – Scottish Power, which has 2.4 million domestic customers, increased its gas prices 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.
6. Unemployment, especially amongst young people, is a source of concern. The number of people unemployed increased by 38,000 in the three months to June to 2.49 million.

### **The issues for local government**

7. The key economic development news for local government during the summer break has been:
  - 7.1 The announcement of 11 new enterprise zones in mid-August.

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- 7.2 The proposals for consultation on Further Education and adult learning “New Challenges, New Chances” which include new freedoms and flexibilities and further reduce the burden of bureaucracy on further education and skills providers; strengthening further education and skills providers’ capacity to offer training at higher education level; reviewing and improving basic literacy and numeracy provision for adults; refocusing Government support for informal adult and community learning; and introducing loans from the 2013/14 academic year providing access to advanced and higher level courses.
- 7.3 The list of RDA assets transferring to the Homes and Communities Agency which will be HCA owned but put under local stewardship arrangements.
- 7.4 32 Local Enterprise Partnerships have received funding from the £5.5 million local enterprise partnership start-up fund (a one-off pot of money for 2011-12). 32 of the 37 LEPs that have been agreed to bid for funding.
- 7.5 The second round of the Regional Growth Fund for which £950 million is available received 490 bids totalling £3.3 billion. Bidding closed at the end of July.
- 7.6 Members are invited to comment on the update.

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## Note of Meeting 6 July 2011

**Title:** Economy & Transport Programme Board

**Date and time:** 6 July 2011, 5.30pm

**Venue:** Cornwall Council, County Hall, Truro

### Attendance

Position	Councillor	Political Group	Council
<b>Chairman</b>	Peter Box	Labour	Wakefield MDC
<b>Vice Chair</b>	Jim Harker	Conservative	Northamptonshire CC
<b>Deputy Chair</b>	Richard Knowles	Liberal Democrat	Greater Manchester CA / Oldham MBC
<b>Members</b>	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
	Philip Atkins	Conservative	Staffordshire CC
	Andrew Carter	Conservative	Leeds City
<b>Apologies</b>	Andrew Cooper <b>(Deputy Chair)</b>	Independent	Kirklees MBC
	Kevin Bentley	Conservative	Essex CC
	Antonia Bance	Labour	Oxford City
	Zulfiqar Ali	Liberal Democrat	Rochdale MBC
<b>Substitutes</b>	Tony Ball	Conservative	Basildon DC
	John Walsh	Conservative	Bolton MBC
	Tony Page	Labour	Reading Council
	Ranjit Banwait	Labour	Derby City
	Isobel McCall	Liberal Democrat	Milton Keynes Council

**In attendance:** Ian Hughes; Philip Mind; Eamon Lally; Virginia Ponton (LG Group); Kevin Lavery; Tom Flanagan; Sandra Rothwell; Terry Grove White; Nigel Blackler; Cllr Mike Eathorne Gibbons; Cllr Mark Kaczmarek (Cornwall Council); Chris Pomfret (Cornwall and Isles of Scilly LEP).

Item	Decisions and actions	Action by
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Cllr Box (Chairman) welcomed members to the meeting.

## **1 Welcome and introductions**

The Chairman welcomed Cornwall Council to present and take as long as necessary in order that LGA Members can learn from Cornwall and share best practice with the rest of the sector.

## **2 Note of previous meeting 24 May 2011**

Members approved the note of the last meeting.

## **3 Presentation from Cornwall Council and discussion**

Kevin Lavery, Chief Executive, Cornwall Council played a DVD which detailed Cornwall's challenges, areas of success and key messages.

He outlined the problems that Cornwall faced. The council was performing poorly, had reputational issues, faced challenges with the transition to unitary council status and with a change in political control in the first unitary elections, a large proportion of councillors were new to local government.

Cornwall Council responded to these problems with good strategic planning and budget management, successful rationalisation of services and contracts, swift and sustainable improvement to service performance, investment in training and development, driving new ways of working with open plan offices and hotdesking including for chief officers and cabinet members and using new technology in practical ways.

Cornwall is keen to deliver a reduced budget successfully and to ensure a reinvestment in order to achieve their ambitious objectives. Cornwall is also keen to achieve a 'double devolution' whereby the council could take a lead on transport or health issues.

Kevin Lavery outlined key areas with which the LG Group could help:

- Rail and road localism – including:
  - the desire for a new rail franchise, secured for the long-term so that the bid winners could improve services for the future
  - removing branch lines from the rail franchise and developing a local light rail solution
  - transport and detruncking roads – how to do in practice rather than in theory, with a particular link to the localism agenda
- EU funds - in particular assistance in moving from a convergence to a transition region
- Best practice for dissemination

- Start-up funding for LEPs – a challenge for Government
- Challenging the level of subsidy compared to Scotland
- Renewable energy – including commercialising renewable energy and assistance with government subsidies and licensing for geothermal energy production.

The Chairman invited Chris Pomfret to talk on the Cornwall and Isles of Scilly LEP.

Chris Pomfret outlined the details of the LEP which comprises 5 members from the public sector and 6 from business.

Cooperation with the council has been exceptionally good and one of the key messages is the importance of partnership. He outlined some challenges including the need for:

- independent resources in order that the LEP can be seen to be independent rather than relying on council resources and therefore being seen to deliver for the council (or any other dominant local industry)
- funds in particular start-up funds
- an independent audit process
- parties to be open to challenge. He acknowledged that despite inevitable conflicts at some point, he felt all sides have so far been welcome and open to challenge.
- joined-up thinking between public sector and business perspectives
- improvements in bids writing – which is an area where the LEP can add expertise and value.

Members then discussed the following with Cornwall Council:

- using the Cornwall and Isles of Scilly LEP, despite its unique geography, as a model for other areas
- how the LEP is engaging with further and higher education providers on skills and sustainable energy issues
- the need for start-up funding, where this will come from, how to go forward and how to secure funding for work programmes, which again highlighted the need to write an impactful business cases and bids
- There was a strong discussion around skills, in particular:
  - the danger of squeezing funding into one-size-fits-all national skills products which may not suit Cornwall
  - ensuring learning and training opportunities are demand-led not supply-driven by providers
  - the importance of retaining skills in the area, especially in the creative industries where graduates are often lost to other parts of the country (though it was acknowledged that improvements in broadband might help this)
  - Cornwall's USP is aiming for carbon neutrality and linking to wider areas such as the marine sector and aviation.

- There was a wide debate on housing including:
  - improving energy efficiency standards
  - how to put funding for social housing to the best use
  - how to link with the LEP on this agenda. Chris Pomfret said that housing should form part of the renewable energy programme and the localism agenda and suggested a bold statement that only energy efficient houses are built.
  - a successful programme of work in Cornwall with colleges on retro-fitting houses to make them more energy efficient.
- adding value to the docks, ship building and fishing industries in Cornwall and promoting quality of life in the area
- challenges around wind farms and the associated pylons necessary, as well as the conflict in creating a living landscape but through sensitive development
- Members questioned the accountability of the LEP to which Chris Pomfret stressed the importance of partnership working, communicating to the public, holding meetings in open forums and instilling public confidence. He said that LEPs should explain what they are doing to elected bodies and ensure councillor representation on the LEP.

The Chairman thanked Cornwall Council for presenting and for hosting a fascinating meeting. Members looked forward to the site visits the next day, 7 July 2011.

***Decision***

It was agreed that the Board would take these issues forward and report on progress.

**Action**

- Officers will write up the visit to Cornwall Council and disseminate learning to the rest of the sector.

**Officers**

**4 Supporting Council’s Ambition for Local Economic Growth**

***Decision***

Members noted the report and agreed to email any comments to officers to progress.

**Members and  
Ian Hughes /  
Philip Mind**

**5 Economic and skills development funds from Europe**

***Decision***

Members noted the report, agreed to email any comments to officers to progress and asked officers to develop a draft programme.

**Members and  
Nick Porter**



**6 Oral Feedback from Members**

No feedback was noted.

**7 Transport Lobbying**

***Decision***

Members noted the paper.

**Action**

- Officers will progress.

**Eamon  
Lally/Charles  
Loft**

**8 Economy Update**

***Decision***

Members noted the report.

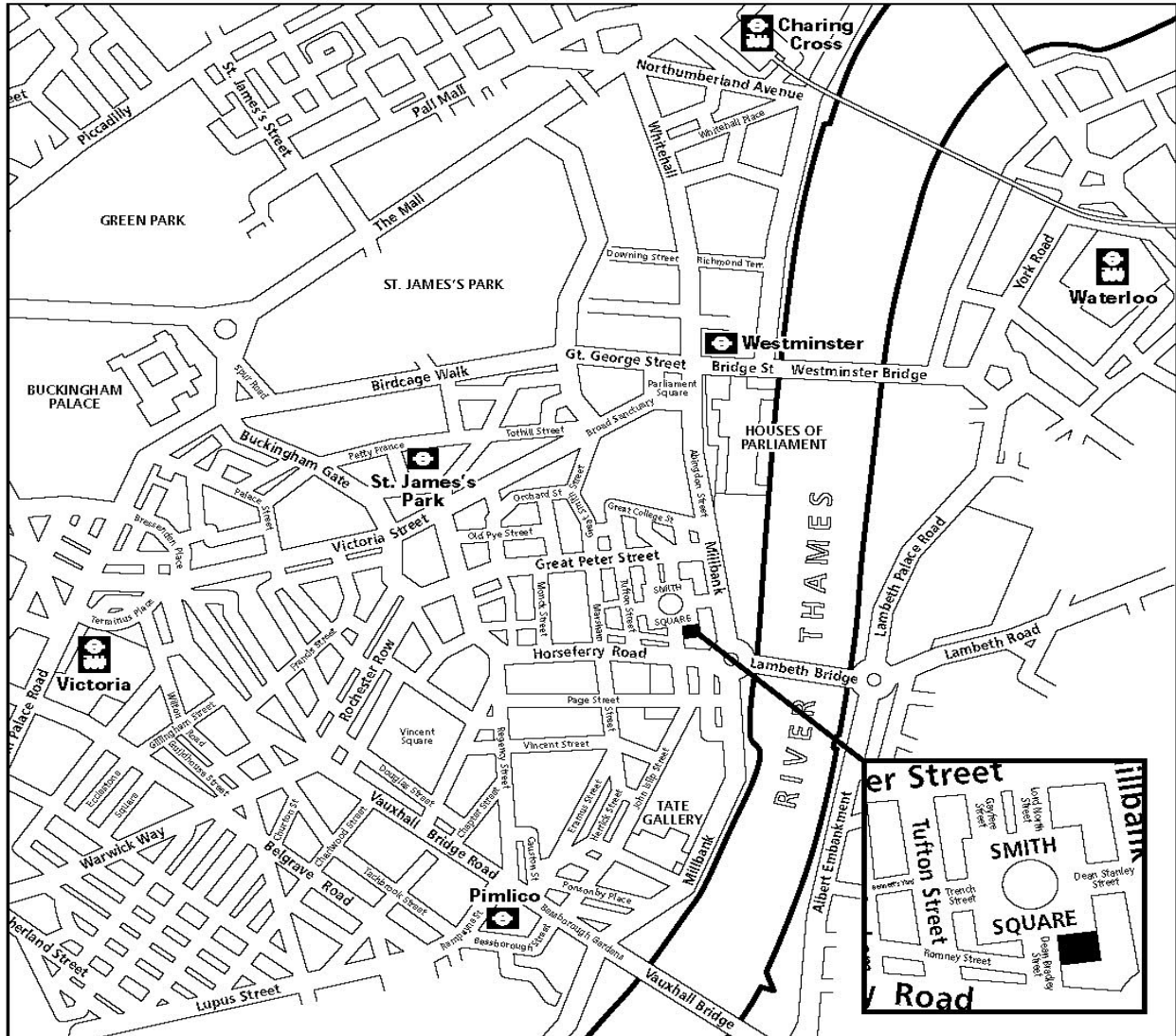
**9 Correspondence with Ministers**

***Decision***

Members noted the correspondence.

**Provisional date of next meeting: 8 September 2011, LGH**

## LG Group Location Map



### Local Government Group

Local Government House  
 Smith Square, London SW1P 3HZ  
 Tel: 020 7664 3131  
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 Email: [info@local.gov.uk](mailto:info@local.gov.uk)  
 Website: [www.local.gov.uk](http://www.local.gov.uk)

### Public transport

**Local Government House** is well served by public transport. The nearest mainline stations are; **Victoria** and **Waterloo**; the local underground stations are **St James's Park** (District and Circle Lines); **Westminster** (District, Circle and Jubilee Lines); and **Pimlico** (Victoria Line), all about 10 minutes walk away. Buses **3** and **87** travel along **Millbank**, and the **507** between Victoria and Waterloo goes close by at the end of **Dean Bradley Street**.

### Bus routes - Millbank

**87** Wandsworth - Aldwych **N87**  
**3** Crystal Palace - Brixton - Oxford Circus

### Bus routes - Horseferry Road

**507** Waterloo - Victoria  
**C10** Elephant and Castle - Pimlico - Victoria  
**88** Camden Town - Whitehall - Westminster-  
 Pimlico - Clapham Common

### Cycling Facilities

Cycle racks are available at Local Government House. Please telephone the LGA on 020 7664 3131.

### Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone. For further details, please call 0845 900 1234 or visit the website at [www.cclondon.com](http://www.cclondon.com)

### Car Parks

**Abingdon Street Car Park**  
 Great College Street  
**Horseferry Road Car Park**  
 Horseferry Road/Arneway Street