

Update report for Executive on the LGA's work with the British Property Federation and the LGA's response to the Heseltine review 'No stone unturned in pursuit of growth'

Purpose of report

For information.

Summary

This paper provides an update on two recent developments relating to councils role in growth: a joint project with the British Property Federation exploring barriers to development and growth and the publication of Sir Michael Heseltine's growth review.

Recommendation

Members are asked to comment on and note the updates in the paper.

Action

LGA Officers to proceed as directed.

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Update report for Executive on the LGA's work with the British Property Federation and the LGA's response to the Heseltine review 'No stone unturned in pursuit of growth'

Background

1. This paper provides an update on two recent developments relating to councils role in growth: a joint project with the British Property Federation exploring barriers to development and growth and the publication of Sir Michael Heseltine's growth review.

LGA's work with the British Property Federation

2. On 30 October, the LGA and the British Property Federation held a joint conference "Unlocking Growth through Partnership". The conference was attended by over 100 senior figures from the property industry, council leaders and chief executives to discuss the role of partnerships between councils and the private sector in overcoming barriers to development and growth. The Chief Secretary to the Treasury, Danny Alexander gave a keynote speech to the conference which was followed by discussion with delegates.
3. The joint event followed a programme of work carried out over the last year by a working group comprised of senior figures from the property sector, local authorities and the wider economic development sector. The programme involved a series of roundtable discussions which focussed on developing solutions to the major blockages to development and growth. In addition the group looked in depth at challenges facing three areas (Barnsley, Cornwall and Kettering) including study visits and work with individual authorities to devise solutions to overcome them.
4. A joint report launched at the conference made recommendations for measures which would boost economic growth and unlock new mechanisms and funding for infrastructure. The report summarised the findings of the project and formed the basis for discussion at the conference. This included case studies of good practice and identified which barriers created by central Government are holding back development activity and economic growth. The report made 10 recommendations to central Government of ways these barriers could be removed.

Key Messages and Findings

5. Nine key themes emerged from the project about how to stimulate development and growth.
 - 5.1. The key finding was that partnerships between the public and the private sector are at the heart of the economic recovery.

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- 5.2. Such partnerships can be made more effective if they are given the ability, freedoms and levers to create tailor-made strategies that reflect local economic circumstances.
- 5.3. In order to match natural economic geographies, stronger and locally driven sub-regional governance is required.
- 5.4. To fund the supporting infrastructure that would help development activity much wider use of Tax Increment Financing is needed.
- 5.5. To make the best use of limited public funding, partnerships need to pool public sector capital funding in a place.
- 5.6. Following fundamental reform of planning legislation, councils and developers now need certainty and stability in the planning system.
- 5.7. To be long-term and sustainable, partnerships must balance share of risk and reward.
- 5.8. There needs to be a refocusing of Inward Investment towards more locally driven approaches.
- 5.9. To fund infrastructure in a low-growth period of fiscal consolidation, new sources of funding, such as from pension funds, are required.
6. Many of the key themes of this work were reflected in the Heseltine Review which was launched the following day.

Heseltine Review – “No Stone unturned in pursuit of Growth”

Summary

7. On 31 October Lord Heseltine published a series of radical proposals for economic growth which calls on Government to pool £50 billion of Whitehall money into a single pot so that it can be bid for by “city states” and regions. In the report he advocates a network of local enterprise partnerships becoming the engines of local planning and growth.

The Report

8. The report makes 89 recommendations, including an overall theme of localism, and decentralisation from Whitehall. The report also promotes the idea of bringing money from different Whitehall departments into a single pot to fund skills, transport and support for small and medium sized enterprises (SMEs). **Appendix A** sets out the LGA’s response to the recommendations regarding local government interests.

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Blueprint for the future.

9. In the report Lord Heseltine sets out a number of significant innovations aimed at providing a stable yet flexible architecture for the future, these are:
 - 9.1. A Prime Minister-led National Growth Council ensuring all parts of Government play their part to support growth and with an independent secretariat to ensure its conclusions are fully and expeditiously implemented.
 - 9.2. A very significant devolution of funding from central Government to Local Economic Partnerships so that Government investment in economic development is tailored directly to the individual challenge and opportunities of our communities and can be augmented by private sector investment.
 - 9.3. A clear statement by Government of its priorities to guide Local Economic Partnerships in preparation of strategic plans for their local economies.
 - 9.4. And for central Government, a clear policy for each sector of the economy conceived in conjunction with industry and academia.

LGA key messages

10. Lord Heseltine supports the LGA view that we need a more place based approach to growth and states that too many decisions are taken in Whitehall.
11. He says that *“local leaders are best placed to understand the opportunities and obstacles to growth in their communities. Policies that are devised locally holistically and locally, and which are tailored to local circumstances, are much more likely to increase the economy’s capacity for growth”*.
12. Lord Heseltine suggests that the Government should encourage two-tier areas to move towards unitary status. The Coalition has ruled out top-down structural reform of local government and the LGA supports that position, so the issue is a moot point.
13. The urgent priority for councils is helping local businesses to drive growth and create jobs, and the report proposes a number of helpful measures.
14. We welcome the proposal to bring the budgets that promote local growth into a single, un-ringfenced pot. We disagree however that this pot can be allocated effectively through a competitive process – Government departments lack the local knowledge to judge competing local bids.
15. We welcome recommendations devolving to local partnerships control of the budgets for vocational skills, apprenticeships and for re-engaging young people. The LGA has made the case that the mismatches between training provision and employers’ skills needs mean that we need more local decision-making over vocational skills budgets. Our Hidden Talents work has promoted a single pooled budget to tackle the problem of young people not in employment, education or training (NEETs) – the current system is fragmented.

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16. There is, however, criticism of the complexity of local government, labelling it as “inefficient” and claiming that the boundaries of English local authorities bear no relation to “functional economic areas”. Local government is the most efficient part of the public sector, and there are numerous examples of cross boundary working furthering economic growth.
17. The Government should lift restrictions on local authority borrowing for housing, freeing councils to build new affordable homes and kick-start job-creating infrastructure projects.

Proposed ongoing work

18. Growth:
 - 18.1. LGA’s growth campaign is continuing this year with a series of town hall summits at which we hope to demonstrate solutions on areas such as skills, innovation, SMEs and transport.
 - 18.2. Work with Wave 2 City Deal Cities and offer them support in preparing and negotiating their bids. Continue to argue for a mainstreaming programme of measures from Wave 1 deals, that just “make sense”, to be available to all councils.
 - 18.3. Invite a member from the Heseltine team to an Economy and Transport Board meeting.
 - 18.4. Continue to lobby on the decentralisation agenda including the point that any single un-ringfenced pot should be allocated at the locality not via a competitive process.
19. Skills:
 - 19.1. Up to now recent Hidden Talents work has successfully demonstrated the weaknesses of a fragmented, centralised model in helping young people with the most complex barriers to work and learning. Looking ahead, it will develop a more detailed and well-evidenced set of proposals for devolved approaches to re-engaging young people, and matching skills and work-based training to local labour market demand.
 - 19.2. The activity will be supported by further research, a political engagement strategy and a number of events, and will build on local activity, including Whole Place pilots, Raising the Participation Age strategies and City Deals, and other local models that are having impact.
 - 19.3. Recent statistics re-affirm the need for new integrated approaches to help the hardest to reach reengage. Despite some fluctuations in overall youth engagement, the number of young people out of work for over a year has

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doubled to 260,000 since 2008, those out for more than two years has increased by 168 per cent, to 100,000 over the same period.

Heseltine Review – “No Stone unturned in pursuit of Growth”

The recommendations and our responses are as follows:

Chapter 2: Localism – building on our strengths

- (1) Central Government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without internal ring fences.

LGA response: we support the devolution of the budgets that support growth to local areas and local decision-making about how they are used.

- (2) Local partnerships should bid for the funds from central Government on a competitive basis. Bids should be for a minimum of five years starting from 2015/16

LGA response: formula allocation of funds to places will be faster and more effective than competitive bidding. Whitehall lacks the local knowledge to compare competing bids from different places.

- (3) Government should streamline its management of EU Common Strategic Framework funds in England, strip out the bureaucracy of multiple programmes and align local allocations from the four funds with the single funding pot.

LGA response: We welcome the emphasis on integrating and locally allocating EU funds. We have consistently called for greater integration of EU funds, so for instance people are trained by ESF to take jobs created by ERDF, and with existing budgets seeking similar objectives. Local partnerships can do more - they should have the levers to commission, shape and monitor spending according to the local investment plans, and to manage joint local programmes.

- (4) Taking full account of the Government’s national growth strategy, all LEPs, in collaboration with local stakeholders, should lead the development of a long term strategy and business plan for their area that will be used to bid for economic growth funds from central Government.

LGA response: local partners should determine the best way to develop the long-term economic strategy for a place.

- (5) The Government should allocate LEPs up to £250,000 of new public funding, resourced through departmental efficiency savings and underspends, in each of the years 2013/14 and 2014/15 specifically to devise their local economic strategies, and create the foundations for their implementation.

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LGA response: Government recently agreed in September core funding for LEPs of £25 million. It is not clear if Lord Heseltine took this into account in making his recommendation, but the extra funding is welcome.

- (6) The Government should invite LEPs to review their boundaries within a three month period to ensure they have a good match with their functional economic market area and that they do not overlap.

LGA response: defining functional economic geographies is not an exact science. Some councils on the boundaries of local enterprise partnerships with strong economic links to more than one area, chose to be in more than one LEP area. If this arrangement works locally, we see no reason to review it. Local Authorities are best placed to determine what works locally.

- (7) In the light of the new role and vision for LEPs, each LEP should ensure that their board has the necessary skills and expertise to deliver their expanded functions and pay particular attention to the representation of employees from both the private and public sector.

LGA response: we support strong LEP governance.

- (8) At the earliest opportunity civil servants based across the country should be brigaded into Local Growth Teams, structured around clusters of LEPs, primarily tasked with joining up Government and local partners in the areas of their responsibilities to facilitate, identify and realise economic opportunities.

LGA response: we support a joined up conversation between places and Government on economic issues. Any new arrangements must recognise and support local governance of economic decisions, and all Government departments and agencies should be signed up to the growth agenda.

- (9) Ministers and permanent secretaries should be associated with individual LEPs, not to advocate individual plans but to add an understanding of place to the existing culture of function.

LGA response: we support the general thrust of the recommendation to build stronger links between Whitehall and places.

- (10) Local authorities should have an overarching legal duty to have regard to economic development in the exercise of all their activities and functions. Where local authorities share a functional economic market area they should be required to collaborate on economic development.

LGA response: a new duty is unnecessary. Local authorities already prioritise growth and work across boundaries to do so.

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- (11) All two-tier English local authorities outside London should pursue a path towards unitary status. The Government should encourage this and work with authorities to clarify the process and enable it to happen.

LGA response: The Coalition has ruled out top-down structural reform of local government, so the issue is a moot point. The more urgent priority for councils is helping local businesses to drive growth and create jobs, and the report proposes a number of helpful measures.

- (12) Proposals for formal collaboration between local authorities that reinforce the standing of the LEP and enhance the partnership with the private sector across a functional economic market area, should be encouraged and prioritised for Government approval. All proposals to move to unitary or combined authority models should be scrutinised by the Prime Minister's Growth Council.

LGA response: The way in which authorities come together should be a matter for local decision and it is possible that there could be good reasons to depart from LEP boundaries.

- (13) The Government should remove all legislative barriers that are preventing local authorities from collaborating with functional economic market areas, including moving to unitary status.

LGA response: see response to (11)

- (14) Local authority council members should be elected using the same electoral cycle across England where the whole council is elected at the same time every four years.

LGA response: Local government elections should be about local issues and not distorted into a national pattern to create some artificial English echo of American mid-term elections. Under the Local Government and Public Involvement in Health Act 2007, district councils already have the power to change to a four-yearly, whole-council election should they choose to do so. It would not be right for central Government to compel councils to adopt one model over another, where local people have not expressed a view.

- (15) Legislation should be passed to enable combined local authorities and other combinations of authorities that wish to elect a conurbation mayor to do so.

LGA response: Local authorities should indeed be free to determine their own governance arrangements driven by local democracy, without central Government interference. If the changes councils wish to make require legislation, Parliament should certainly not refuse to pass it.

Chapter 4 - Government and Growth

- (41) The Department for Business, Innovation and Skills and the Technology Strategy Board must set out a clear statement explaining how they and other Government agencies will

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work with LEPs and the devolved administrations to better connect national strategy with local initiative.

LGA response: The LGA are meeting with the TSB in the next couple of weeks and will include this as part of our discussions.

(45- 52) Focus on regulation:

LGA response: Local regulatory services in councils recognise their important role in creating a nurturing environment for well-run businesses to thrive whilst protecting vulnerable people and have long been at the forefront of risk based, intelligence led and proportionate regulation. However, it is right that we continue to examine what more can be done to create a flexible and cost effective system that focuses regulation on those that fail to comply with the law and therefore will be examining the Heseltine recommendations in detail.

LGA overall view on planning - it is not the barrier to growth and Government should to focus on measures to stimulate demand and tackle affordability which are the key barriers to bringing forward much needed housing. The planning reforms put in place over the last 18 months are significant and need time to bed in and make a difference. Further reform to planning will add uncertainty for councils, communities and business.

(55) The planning inspectorate should be given powers to investigate planning decisions proactively. The Government should also consider on a rolling basis all the possible options to inject urgency and purpose into the planning system.

LGA response:

- Local authorities are saying 'yes' to development and the number of acceptances have hit a ten year high.
- Of those decisions referred to the planning inspector in two thirds of cases the inspector agrees with the original decision made by the council. A measure to extend the role of the inspectorate to proactively override local decision making is not only centralising but disproportionate.

(56) The Government should consider the effectiveness of local Development orders and extend their use after consultation with affected parties to establish best practice.

LGA response:

- Councils tell us that the tools that they have to restrict or relax permitted development (Article 4 directions and Local Development Orders) are often difficult to use, costly and time consuming.
- A national approach to permitted development and changes of use will inevitably lead to unintended consequences and adverse impacts in different locality. Encouraging investment of a particular type by relaxing permitted development rights or encouraging change of use may be right for one area and not for another. The current system allows central Government to set out permitted development rights and provides local authorities

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limited tools to amend this. However these tools are cumbersome and expensive and as a result are not well used. The LGA will be seeking flexibilities through the Growth and Infrastructure Bill to provide local authorities with powers to set out permitted development rights locally – subject of course to consultation and a local impact assessment^[1].

- (57) The Government should consider using Special Development orders to speed up specific planning decisions of strategic significance.

LGA response:

- Planning decisions of larger than local significance are one of the most important decisions a local authority must make and work collaboratively with partners on through the duty to cooperate. Applications of national importance are also dealt with nationally through the National Infrastructure Regime.
- It is not clear whether this recommendation is seeking to remove decisions about key strategic issues such as the provision of housing and waste facilities from the local level through the increased use of special development orders. This would remove the ability for local decision making as decisions would now be taken by the Secretary of State. Viewed against the measures in the Growth and Infrastructure bill to increase the scope of the definition of nationally significant infrastructure and removing decision making on planning decisions from some local authorities this recommendation contributes to the significant shift towards centralism taking place across planning.

- (58) The Government Property unit should work with local authorities to identify and publish details of all surplus and derelict public land on the PMS database so that LEPS and local authorities can collaborate to bring this land back into reuse in support of the local economic strategy.

LGA response:

- Seventy-five per cent of respondents to a recent LGA survey said that their council released its own land for housing development over the last five years and almost ninety per cent said that their council planned to release its own land for housing development over the next five years
- Local authorities are proactively using their land and assets to bring forward development; this measure proposes a national data base which is unnecessary and costly given that land release and joint working is already taking place.
- We would like to see Government departments and agencies working proactively with councils on land and asset release programmes to ensure most effective use of the public sector estate.

Chapter 5- Private Sector – broadening the capacity for excellence

- (65) Local authorities should publish the list of all businesses paying non-domestic business rates so that chambers and other business representative bodies can identify businesses in their area more reliably, and seek to draw them into the local
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business support infrastructure. There should be exceptions for businesses where the identification of business premises could give rise to security concerns.

LGA response: Councils could publish non domestic business rate information if they felt it would as part of their growth strategy help to deliver greater business involvement in local decision making. BIS have been looking at models in France and Germany where chambers of commerce have very large membership and thus their role in decision making is greater because of the number of businesses they are representing. It is felt by opening up details of businesses in the local area this will help business organisations to increase membership and impact on local decision making.

However there are a number of issues specifically around the current data set that will need to be addressed for this to happen and the case for doing this will need to be articulated given the potential costs to councils for setting up and maintaining information for public use.

- (70) The development of leadership and management skills should be integrated where appropriate into the education and skills system at every level from schools through to higher education and vocational skills training. We need to see individuals having opportunities to develop their leadership and management capabilities earlier on in their working lives alongside the development of technical or academic competencies.

LGA response: We are starting a programme of work with Universities UK to explore how graduates can be better prepared for the world of work.

Chapter 6 - Education and Skills – the foundation for growth and prosperity

Education:

74. All failing schools should be subject to the intervention process forthwith. There should be a clear timetable within which an improvement strategy for each school is agreed, with the education authorities using their powers to intervene if the head teacher and governors fail to act. If local authorities delay, central Government should intervene.

75. The regional directors being appointed to lead Ofsted's new regional structure should be given formal powers to act swiftly where they identify problems in local schools.

76. Business engagement should be incorporated far deeper into the school curriculum in order to develop young people's understanding of business, increase their employability, and further their understanding of career and future training options and where they might lead. LEPs should consider how they engage with local schools and work with chambers to facilitate this.

77. The bureaucracy and paper work around work experience and work placements must be streamlined. DfE must be clear about what is absolutely necessary. Government must then

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ensure the removal of all regulations and requirements that place unnecessary burdens on employers, schools and colleges.

78. All boards of governors in secondary schools should include two influential local employers, at least one of whom should have good connections with the wider business community. This could be coordinated by the local chambers of commerce.

79. Local authorities should publish the Destination Measures for all secondary schools in their areas alongside academic attainment so that parents can make better informed choices, and to incentivise schools to give a higher priority to developing the employability of their leavers.

LGA response: Councils have an absolutely central role in meeting the challenges of improving education and training to support growth. They have a statutory duty to promote educational excellence in their areas and a central role in challenging and supporting schools that are underperforming, as well as related to admissions, sufficiency of school places, raising the participation age. As well as these wide-ranging formal statutory powers councils also have a democratic mandate to promote and protect the interests of local children, young people and their families. As directly elected representatives of their local communities, councillors will always have an interest in improving the outcomes for local families. So making sure that the children and young people in their areas have fair access to a good local school is always going to be near the top of every council's agenda.

The LGA is calling on the Government to give the responsibility for decisions on funding, improvement and intervention back to councils once an area has reached a point where more than half its secondary schools are academies. It is concerned that without local intervention poor performance will not be spotted early enough and educational standards may slip. At the moment, when a school becomes an academy, responsibility for performance transfers to the Department for Education. There are currently 2,373 academies, which are funded and overseen by central Government. In 86 local authority areas, 50 per cent or more of the secondary schools are, or are in the process of becoming, academies. Council leaders are concerned that, as the number of academies grows, it will become impossible for the performance of such a large number of schools to be monitored from the centre. They fear that without local oversight, standards in schools may fall. The LGA believes that the existence of the Education Funding Agency (EFA), (a centralised body) which is responsible for the funding of academies, duplicates work already being carried out by councils for the schools they maintain, creating a needless cost to the taxpayer. The LGA is calling for the functions of the EFA to be devolved to councils in areas where more than half of secondary schools are academies.

(80-83) Lord Heseltine recommends local control over skills and NEETs.

LGA response: We welcome recommendations devolving to local partnerships greater leverage over skills, apprenticeships and for reengaging young people. The centralised funding formula for skills and apprenticeship provision has presented an enduring barrier to local growth efforts.

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(80) The existing budget lines for adult careers advice should be included in the single funding pot. Each LEP as part of its local economic plan, should consider how careers advice is best provided in its areas to meet the needs of both the adult population and the requirement under the Education Act 2011 for careers advice in schools.

LGA response: We would support the devolution of budget, alongside some aspects of adult careers advice that can be provided online. For children, councils have supported schools to take on their new duty to provide careers guidance to all their pupils, and it will be important in ensuring all young people are supported at pivotal stages to make decisions on future learning routes. The recommendation is welcome. The current national careers model has in itself become complex – new duty on schools, new National Careers Service etc.

(81) The Budget for vocational training for learners aged 19 and over and all funding currently set aside for apprenticeships for those aged 16 and over should be devolved to local areas through the single funding pot described in chapter 2. This therefore calls into question the continuation of the Skills Funding Agency. Each LEP should incorporate skills need within their local economic plans driven by the needs of local employers and the practical experience of FE colleges.

LGA response: We agree that post 19 and all vocational training should be devolved to local partnerships in line with the needs of employers in labour markets. Councils have a legal responsibility for Raising of the Participation Age, so we welcome proposals for 16 – 18 year old further education providers to have to agree provision locally, but for this to be effective they need to have real levers over commissioning, and monitoring provider performance against these priorities will be important.

(83) Action to address NEETS is best taken at the local level. Resources to tackle the problem should therefore be available from the single pot. Youth unemployment will not be a problem or a priority for action in every areas, but where it is, LEPs working with local authorities, employers and other local partners should develop proposal for reducing NEET numbers as for of their local economic plans.

LGA response: We welcome acknowledgement that NEETs are best supported at local level, and that the single pot should support this. NEETs, particularly those furthest from work and learning, tend to have a complex array of personal circumstances driving disengagement and it is right that all programmes seeking to reengage them are devolved to local partnerships, which can tailor provision to improve the outcomes of national provision, such as the Work Programme. The Youth Contract and other reintegration support for young disengaged 16 and 17 year olds would be far more effective and responsive if locally commissioned, in line with the recommendations, rather than nationally commissioned by the Education Funding Agency.