

Council for Economic Renewal

Local Government Reform and Economic Development

Background

1. The White Paper published on 3 February, *Reforming Local Government: Power to Local People*, builds on the Welsh Government's initial response to the report of the Commission on Public Service Governance and Delivery. The paper makes proposals for a reformed legislative framework for Local Government democracy, accountability, performance and finance. This takes forward the Programme for Government commitment to set out a model of improved public service delivery in Wales, following the recommendations of the Commission.
2. Consultation on the White Paper, closed on 28 April. Over 550 detailed responses have been received and 3166 individuals responded to the online survey.
3. Following analysis of the consultation responses, a draft Local Government Bill will be published later this year. This Bill will reduce the number of Local Authorities through a programme of mergers, establish a statutory Public Services Staff Commission, and introduce the reformed legislative framework for Local Government. The Bill is scheduled to be introduced into the Assembly following the Assembly elections in 2016.

Drivers for change and the White Paper proposals

The changing devolution settlement

4. When the Assembly was established in 1999 it had very limited legislative powers. Following a referendum in March 2011, the Assembly is now the primary law making body for Wales in a wide range of public policy areas. The Wales Act 2015 confers further powers on the Assembly in relation to taxation and borrowing and the UK political parties are committed to extending the Assembly's powers further following the UK elections in May 2015. This constitutional change has a profound effect on the governance of Wales as a whole and the provision of public services. This is, therefore, the right time to clarify the relationship between National and Local Government in Wales. The White Paper, *Power to Local People*, sets out:
 - The role of the Welsh Government is to set national standards and strategic direction in key policy areas such as education, social services, waste and economic development.
 - The role of Local Government is to set, and be accountable for, local priorities, accepting this will lead to variation from place to place.

Preparing Local Government to face the challenges of the next generation

5. There have been a number of high profile failures in Local Government, coupled with a lack of pace in improvement across the board in many services areas. The function of Local Government is to ensure excellent local services, whether or not they are directly delivered, and we need to reform the way Local Government operates. The White Paper sets out:

- Fewer Local Authorities with more resilient corporate capability.
- Clarity about the roles and responsibilities of the political executive, councillors and senior management.
- Greater diversity of elected members to improve decision making.
- A focus on improving leadership and strengthening accountability.
- More robust scrutiny, linked more closely to the role of audit, inspection and regulation bodies.

Funding pressures

6. Local Government faces reductions in its core funding while demand for services continues to rise. Incremental efficiencies will not suffice and councillors must make difficult choices. Councils must transform the way they deliver services, including digital innovation, greater use of mutuals and co-operatives, and sharing more power and responsibility with communities. The White Paper sets out:

- Local Government to be able to use the general power of competence to implement transformational change and raise additional funding.
- Strengthen Councils' corporate planning and governance, within the framework of the Well-being of Future Generations (Wales) Act 2015.
- Increase the capacity of communities to take on local assets and services by strengthening community governance and reforming community councils.
- Longer term reform of local government finance.

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7. The White Paper sets out the Welsh Government's view that Local Government's natural purpose is place-shaping. This means understanding the needs of the local population and ensuring public services are provided fairly in order to reduce inequity. It also means maximising economic opportunity by supporting jobs and growth and by Local Authorities making the best use of their significant spending power within the local economy.

8. Individual Authorities can achieve much on their own and in partnership, for example, by placing social clauses in procurement contracts, supporting businesses (including not for profit businesses), advancing economic objectives in their development plans and using their existing borrowing powers.
9. In addition, the Welsh Government's approach to city regions, through the establishment of City Region Boards in the Swansea Bay and Cardiff Capital regions, seeks to improve economic performance in those areas through a more integrated, partnership-led approach between the public and private sectors. A similar approach to regional economic development has been adopted through the North Wales Economic Ambition Board and the Mid Wales Partnership.
10. The Welsh Government's ambition for reformed Local Government opens up a number of new opportunities:
 - The general power of competence and related amendments will give Local Authorities powers to be more innovative in supporting development and to do so using a wider range of tools than currently available.
 - There will be opportunities for mutuals and co-operatives to generate local economic added value through new models of service delivery. The report of the Welsh Mutuals and Co-operatives Commission identified examples of good practice and areas of opportunity. The report I have commissioned from Keith Edwards will make further specific recommendations. This approach builds on a Welsh tradition of social entrepreneurship by freeing up mutuals and co-operatives who are delivering services to expand their activities into related areas, access additional sources of funding, at the same time as involving service users and retaining value within the community. The track record of Welsh housing associations and registered social landlords exemplifies this.
 - Fewer, larger community councils and empowered community groups will have greater capacity to generate local economic activity, for example, by offering employment opportunities in some areas of service delivery and by generating income streams, such as through local green energy and smart living projects.

Conclusion

11. Council is invited to offer its views:
 - Does the Council consider these reforms will support local economic opportunities and ambition?
 - What other actions to support local economic growth should the Welsh Government consider as part of local government reform?

Annex: case studies of the use of General Power of Competence in England

1. Newark and Sherwood District Council

Newark and Sherwood is a growing community, with 14,000 new homes planned. It has many smaller businesses, which the council wants to help realise their growth potential. Consultation with local businesses and other stakeholders identified the availability of finance as a key challenge. The council therefore established a £2 million fund. Called 'Think BIG' (Business Investment in Growth), the fund aims to provide loan finance to local businesses with growth potential, where they have not been able to secure the funding elsewhere such as from the banks. Acting on the advice of an independent panel of experts, following 20 applications, four loans have been made to date worth £285,000 in total. The average turnover of businesses supported is £672,500. These loans have safeguarded 40 jobs and there is the potential to create 43 new jobs.

2. Hertfordshire County Council

Hertfordshire County Council has used the GPC to provide the basis for its participation in the Local Authority Mortgage Scheme (LAMS), working in partnership with most of the district councils in the county, Lloyds TSB and the Leeds Building Society.

The scheme is intended to support the local housing market and economy through help to first time buyers and key workers in particular. The scheme indemnifies lenders and enables buyers to access the terms of a 75 per cent mortgage with only a 5 per cent deposit, the balance of the funding coming from the indemnity scheme. The indemnity lasts for five years (the period of greatest risk) during which time the council earns interest on the amount of the indemnity. The funding plus interest accrued is then returned to the council. Including £12 million from the county council, councils in Hertfordshire have made available £16.5 million in funding to the scheme.

3. Stoke on Trent City Council

Stoke on Trent City Council is using the GPC to provide the legal basis for the development of a range of initiatives to take forward the green energy agenda through a council owned holding company and to promote regeneration. It sees access to sustainable energy at predictable prices as a powerful factor in attracting and sustaining employment including the development of a new central business district. The GPC gives greater confidence to both the council and potential partners from the private sector and elsewhere when entering into long term agreements.

[from *Empowering councils to make a difference*, LGA, 2013]