
**Manchester City Council
Report for Information**

Report To: Economy Scrutiny Committee – 6 February 2013
Subject: Localism Act
Report of: Sara Todd, Assistant Chief Executive (Regeneration)

Summary

This report gives an overview of the Localism Act and its potential implications for economic growth, employment and skills. It outlines the main measures in the legislation that could be used to drive local economic growth and how the Council and communities are using these. It concludes by summarising the ways in which parts of the Act are being utilised with particular reference to the City Deal process.

Recommendations

The Committee is invited to discuss the report.

Wards Affected:

All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Finance Scrutiny Committee 13th December 2011 - Community Asset Transfers and Community Right to Bid

1. Introduction

- 1.1 The Localism Act became law in November 2011. It is the Government's principal piece of legislation for devolving responsibility and powers away from the central government and towards local government, localities and communities.
- 1.2 It is a lengthy and wide-ranging Act with clauses covering powers of authorities, governance structures, standards for elected members, transparency of senior executive pay, flexibility over business rates, community empowerment through various rights and also reforms to the local planning process. It also – thanks to an amendment tabled in the Lords with the help of Manchester and the Core Cities Group in the final stages of the passage of the Bill - provides cities with the opportunity, through 'City Deals', to obtain greater devolution of powers similar to those that were already contained in the Bill for the Mayor of London.
- 1.3 Many of the major measures in the Act came into effect in April 2012, including the 'general power of competence' for local authorities; the 'Community Right to Build'; planning reforms including the introduction of neighbourhood planning and changes to planning enforcement rules and reforms to social housing tenure and council housing finance. The 'Community Right to Challenge' came into force in June 2012.

2. Localism and economic growth

- 2.1 Many of the measures in the Localism Act are new and un-tested and prior to the Act becoming law some commentators expressed fears that certain aspects could create impediments to development and growth. However, others suggested that they could provide for investment and change desired by local communities. Initial experience of the operation of the Act is mixed: While there are some examples where communities have begun to make use of the Act's provisions, it will take some time before it is possible to properly assess the full implications of the legislation.
- 2.2 It is unlikely that the Act alone could help areas with poor economic performance do better, but if used in combination with other local policy interventions and public funding to address the reasons for market failure, conditions could be created for greater growth in these areas. This is the thinking that underpins measures included in the Greater Manchester City Deal including the 'Earn Back Model' whereby local public investment in infrastructure will create increases in rateable values, growth and employment and therefore more tax take, a proportion of which will be returned to the city-region to fund further investment for growth. It also underpins the Manchester Investment Framework whereby public funding from the Regional Growth Fund (RGF), European Regional Development Fund (ERDF), the North West Evergreen Fund and other public and private funding sources are utilised to support a programme of projects selected for their growth and employment creation potential. The Localism Act could potentially be used in tandem with

these initiatives in appropriate locations and contexts to help to encourage land and buildings to be more effectively utilised and demand stimulated.

- 2.3 New development can provide an important stimulus to local employment and training opportunities and can create new homes and public spaces that can make neighbourhoods more desirable and attractive to new residents. Potentially, aspects of the Localism Act such as neighbourhood planning, the Community Right to Build and Community Right to Bid could be used to engage local communities in the process of improving and regenerating local areas especially those that are more poorly performing economically. The Act, however, requires the impetus for such initiatives to come from the locality itself rather than being led by the local authority.
- 2.4 New infrastructure can play a key role in stimulating growth and this can be seen in the stimulus to housing and the local economy that recent investment in the Metrolink extension is bringing. The Localism Act enables charging authorities to allocate a proportion of the Community Infrastructure Levy (CIL) to be applied to any matter that supports development in addition to infrastructure. It also gives the Government the power to require that some of the money raised from the CIL will go directly to the neighbourhoods where development takes place. However, the current lack of stimulus in the economy means that CIL is unlikely to deliver the infrastructure requirements needed by development and by local communities.
- 2.5 Ultimately, the Localism Act is only likely to work effectively where both local government and local communities are empowered to create the right conditions for growth to happen. This means the further devolution of powers and resources to Manchester through the next phase of the City Deal devolution process is vital. At the same time, engagement with local communities and stakeholders about potential sites for development ensuring that all parties and all plans and strategies are aligned to achieve growth, employment and other regeneration and quality of life outcomes is also necessary. In this way neighbourhood planning can become a key part of the development process.

3. The Localism Act and its utilisation

- 3.1 The Government presented the Localism Act as a way of passing power back to local communities. The provisions in the Act are still new and it is perhaps not surprising that to date, the usage of it by local communities - particularly to promote economic growth and employment - appears to be small. Enquiries of Regeneration Managers for this report suggest that there are very few examples of communities wishing to use the Act for local community initiatives let alone those designed to promote employment, growth or development.
- 3.2 The delegation of powers from central government and public bodies to cities using the clause suggested by Core Cities group appears to be the principal way for the Council to deliver its growth priorities under the Act. How well utilised other measures such as neighbourhood plans, the 'Community Right to Challenge' and the 'Community Right to Bid' are remains to be seen.

- 3.3 The following are specific measures in the Localism Act that Government has promoted and which are capable of promoting growth and employment and enhancing skills in local communities:

General Power of Competence

- 3.4 This gives councils the power to do anything that an individual can do that is not specifically banned by other laws. It is similar to, but potentially more powerful than, the previous 'power of well-being' although the Secretary of State can restrict this new power by Order. This is a power that can be utilised by the City Council to benefit its communities.

Community Right to Challenge

- 3.5 This obliges the local authority to consider an 'expression of interest' from community, voluntary and charitable groups and groups of two or more council employees in providing, or assisting in providing, a service that is currently provided by (or on behalf of) the local authority. Currently there appear to be few active proposals to utilise this part of the Act from voluntary and community groups in Manchester.

Community Right to Bid

- 3.6 This gives local groups a legal right to nominate as an 'asset of community value' certain assets in their area that they consider to be of community value such as community centres, shops or open spaces. Where the owner of any land that is included on a local authority's 'List of Assets of Community Value' wishes to dispose of the land, local community groups will have the right to bid to buy the land.
- 3.7 Corporate Property is developing a policy and procedure for dealing with the listing of Assets of Community Value. Finance Scrutiny Committee considered this issue on 13th December 2012.
- 3.8 As with the 'Community Right to Challenge' the 'Community Right to Bid' potentially could allow local groups to ensure that certain community assets (e.g. local pubs) are not closed, but are instead retained and run locally thereby benefiting the local economy. Although there have been some enquiries to Regeneration Teams about the possibility of bidding for closed buildings, so far there have been no formal expressions of interest.

Business rate relief to businesses.

- 3.9 The Act allows local authorities to give discretionary relief in almost all circumstances subject to certain conditions and having regard to the interests of council tax payers in its area. How the Council operates discretionary business rate relief is influenced by its overall finances and the cuts that it is currently having to make because of the local government finance settlement.

Delegation of powers: City Deals

- 3.10 Part 1, chapter 4 of the Localism Act 2011 provides for the transfer and delegation of 'local public functions' to 'permitted authorities'. This process was promoted by Government as the 'City Deals' whereby the transfer of local public functions from public authorities, including central government, to local authorities and Combined Authorities was permitted. The first Greater Manchester City Deal was agreed in July last year and development of the next phase of the GM City Deal is scheduled to start later this year.
- 3.11 In terms of employment and skills a key part of the GM City Deal was to put in place a GM Skills and Employment Partnership of employers, providers and government agencies to support this. This partnership is seeking to develop a demand-led skills system to ensure that the £500m/year of overall investment by Government in skills in Greater Manchester secures the greatest possible economic return. Linked to this is the development of a new Apprenticeship Hub that will provide an additional 6,000 apprenticeships including those at higher levels and into SMEs.
- 3.12 However, more radical action will be needed to fundamentally transform the opportunity for local residents to contribute to and benefit from a successful Greater Manchester economy. By supporting local commissioning it will be possible to promote a wider reform agenda by integrating skills provision with wrap-around public services on worklessness. These may not only be those directly related to getting into work but also to mental health, drug and alcohol interventions and those with troubled families. This will form the main emphasis of the next phase of the City Deal devolution process.

Neighbourhood Planning

- 3.13 The Act provides for neighbourhood plans drawn up by a neighbourhood forum, to be adopted by the local planning authority if it is in line with national and local planning policy and if it is approved by a majority of the votes cast in a local referendum.
- 3.14 Interest has been expressed in the creation of a Neighbourhood Area and Neighbourhood Forum in Northenden. The establishment of these would provide the opportunity for local people to drive the preparation of neighbourhood planning projects. These could include a Neighbourhood Development Plan, Neighbourhood Development Orders or a Community Right to Build Orders. The application for the Neighbourhood Forum and Area is at an early stage, and it is therefore not possible to give an indication of the group's intentions with regards to priorities.

Neighbourhood Development Orders

- 3.15 A neighbourhood forum may submit a proposal to a local planning authority to approve development without requiring normal planning consent. The local planning authority is placed under a duty to make a Neighbourhood Development Order if there is a referendum in favour of it. A 'community right

to build order' is a particular type of neighbourhood development order relating to community-led site specific development.

Community Infrastructure Levy

3.16 This part of the Act allows for a proportion of Community Infrastructure Levy (CIL) receipts to be applied to any matter that supports development in addition to infrastructure. Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area. It gives the Government the power to require that some of the money raised from the CIL will go directly to the neighbourhoods where development takes place. Members will recall that the Council does not yet have a CIL policy. However, it is intended that we should have an approved Council policy before April 2014.

4. Conclusions

4.1 The measures in the Localism Act 2011 give local government and local communities some modest additional powers to promote growth and potentially employment but fall short of the measures that are necessary to make significant transformational change. The City Deals arising out of the amendment inserted into the legislation by the Core Cities Group have undoubtedly been the most significant part of the legislation in terms of the promotion of growth and the 'Earn Back' provisions have the potential to be a "game changer" in terms of local investment. Without more devolution of powers, particularly on skills, and without greater local autonomy on finance through integration with the wider public service reform agenda a wider 'step-change' in growth and employment will not be achievable. Addressing this will be a key focus of the next phase of the City Deal process.

4.2 The potential of other parts of the Act – such as the Community Right to Challenge and the Community Right to Bid – appear to be under-utilised at present by community groups.

4.3 Neighbourhood development plans and orders to promote growth reflecting local priorities provide an opportunity that is currently only being taken up in one area of the city. However, given that Manchester already has a strong system of community level planning within its Strategic Regeneration Frameworks, ward and district plans together with existing work under the Neighbourhood Funding Strategy, it may be that the Localism Act provides little additional benefit. The Council will work with the emerging Northenden Neighbourhood Forum and any other local groups who wish to take up this initiative.

4.4 In terms of the range of new powers for communities contained in the Localism Act, there is a strong role for Neighbourhood Regeneration and Delivery Teams and Ward Co-ordination to play in the process. Local teams can work with communities to help develop their ideas and initiatives, making use of the new rights provided within the Act to better promote growth and development and create opportunities for employment and training.