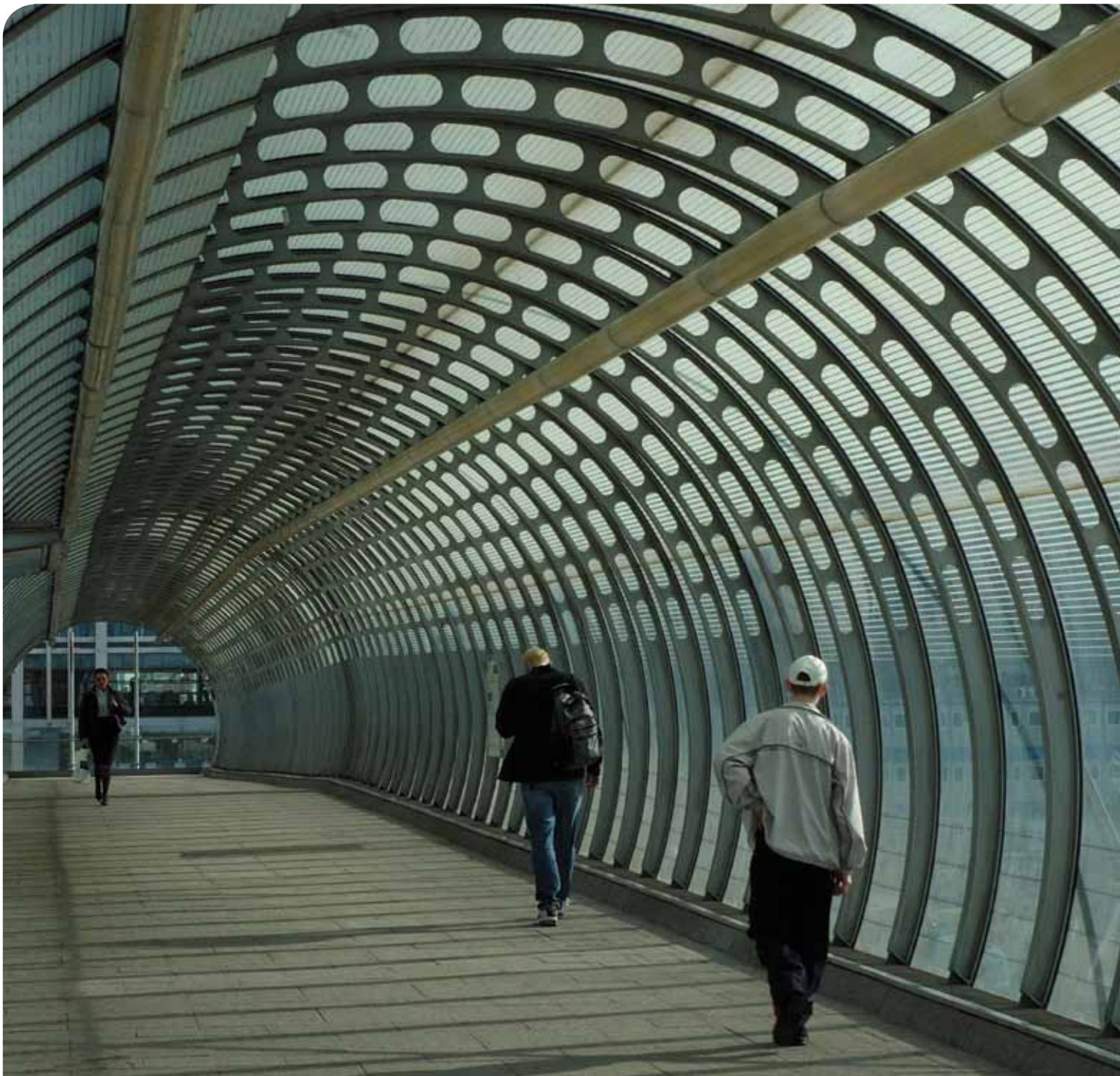
Local Government Association

Improvement

A prospectus

Using local authority capital and assets to promote economic growth



Summary

This programme will continue the rationalisation of capital and assets across the public sector. It requires councils to establish a partnership across all public bodies (police, health, fire etc) in their area to achieve this.

The programme is different to the first two waves of the Local Government Association (LGA)/Department for Communities and Local Government (DCLG) Capital Asset Pathfinder (CAP) Programme. It will deliver the saving achieved in earlier waves of CAP and promote local economic growth through:

- releasing public land and buildings
- taking advantage of the current funding opportunities.

Background

CAP has been delivered by the LGA's Productivity Team for the last two years. 26 councils have been involved and have achieved significant local savings that have gone some way to offsetting the 28 per cent reduction in the Rate Support Grant. It has resulted in more efficient use of the existing public assets in their locality. Together with a sophisticated use of customer insight data the programme also achieved better outcomes for customers.

Impressive savings will be delivered by the programme over the next 10 years.

In recent months the public policy emphasis has shifted towards initiatives that deliver economic growth and drive deficit reduction. In December 2011 the Government published its **Unlocking Growth in Cities** report[1] for the eight core cities, commenting:

"[Growth] will be created in individual places where people and businesses work, trade and innovate. Our cities have a crucial role to play: they account for 58 per cent of England's population and 61 per cent of its jobs. When their wider commuting areas are taken into account, this rises to 74 per cent of population and 78 per cent of jobs[2]."

It also published its proposals to reform and localise Business Rates: Local Government Resource Review[3] signalling a very clear drive to encourage local authorities to take the lead in developing their own local economies.

It is against this background that the Local Government Association now wants to establish its 2012/13 Capital Assets Programme by inviting submissions from those areas classified by the Government as cities[4] and from the 26 Wave 1 and 2 Pathfinder authorities. The programme will embed or accelerate the processes learned through the CAP programme so far and deliver economic growth.

1 Centre for Cites, Cities Outlook 2012 – http://tinyurl.com/cwfu2gr

2 Data for 2008, from Department for Communities and Local Government Department for Communities and Local Government (2010) Updating the Evidence Base on English Cities. Data for cities relates to primary urban areas; for hinterlands it includes travel to work areas (TTWA).

3 Local Government Resource Review 19 December 2012 – http://tinyurl.com/cdy7ofw

4 As updated by the Centre for Cities (based upon the 2006 ODPM report: State of English Cities) – http://tinyurl.com/cwfu2gr

2012/13 Capital and Assets Programme – promoting growth

The aim of the 2012/13 CAP programme will be to reduce expenditure and promote economic growth with the use of realised and retained assets.

It will encourage local authorities to use the opportunities and flexibilities that lie within the Localism Act; the newly announced 'Unlocking Growth in Cities' programme and other initiatives to promote growth.

Councils will be encouraged to engage with private and public sector partners to develop a programme of work in order to produce the following measurable outputs.

1. Jobs created
2. Housing built or refurbished (by both the public and private sector)
3. Redundant public sector space converted for alternative employment usage
4. Reduction of expenditure in public sector capital assets
5. Carbon reduction.

Our experience from Wave One and Two of the Capital Assets Pathfinder programme has illustrated that over a ten year period a local authority can reduce their expenditure on office accommodation and related costs by up to a third. With appropriate help it can turn these redundant assets into productive resources for growth.

The programme of work will select ten to fifteen (the precise number will be dependant upon the quality of bids received, and the funding available) local authorities who are able to demonstrate in their application:

- a desire to encourage growth in their area, and sound proposals to implement that ambition
- willingness to dispose of or convert redundant capital assets for growth purposes
- willingness to engage with the private and public sector partners to plan for growth
- willingness to match fund the initial investment for an independent scoping study carried out by the private sector offered by the LGA
- willingness to share expertise and experience with other participating councils and the sector.

Applications will be open to cities and Wave 1 and 2 Pathfinder Councils:

- Cities – as defined by the **DCLG's Unlocking Growth in Cities programme** or councils who can demonstrate a clear growth strategy though participating in the programme
- Wave one and two Capital and Asset Pathfinder authorities (in order to maintain the momentum for change in these areas).

The programme

Each participating local authority will be offered a maximum of **£25,000 by the LGA. This must be matched by the local authority.** This will be used to consider the opportunities for growth in their area based on the public sector ownership and control of land capital assets in their area.

Participating councils will be required to make an initial assessment of the flexibilities and funding being offered by national and European governments that may be appropriate (either generally in the area or on a site specific basis) to use to allow the programme to meet its targets.

Following this the participating local authorities will be asked to produce an **action plan** to show how they intend to approach economic growth and capital asset rationalisation in their area.

Once the action plan is completed the authority is expected to implement it; it will need to consider appropriate methods of procuring the expertise to help them realise their action plan. Amongst the options being considered is the introduction of a **panel of private sector partners** who will be willing to work with the council on a 'no-win:no-fee basis'. The precise details of the fee structure will be individually negotiated by the council. The participating council will be asked to work with the chosen private sector partner over a fixed period of time (with review) on a predetermined schedule of outputs (individual councils may wish to consider other options if this approach is deemed unsuitable to their requirements).

Other local authorities may wish to work with **neighbouring councils** who have developed an expertise in this area of work or see value in 'sub-contracting' their activities to the **Local Enterprise Partnership/Zone** or other private sector led partnership.

In addition, participating councils will have the opportunity to work with **institutional and social investors** who have the skills and willingness to assist councils in the realisation of their plans. The LGA will coordinate and assist in this process to ensure that councils are matched appropriately. However, the final decision on procurement partners will be with the participating local authority.

The programme is focused on outcomes and delivery of capital and revenue savings which can assist the funding of economic growth. Participating local authorities will be required to produce an action plan containing clear targets and timelines to show they can meet these requirements.

Marshalling the Local Government Association and government resources

1. We will use the experience gained in previous rounds of the Capital Asset Pathfinder Programme in order to offer ongoing advice to councils both within the programme and for others wishing to participate in our work generally.

2. We will **twin and group** councils and facilitate their joint work where appropriate.

3. We will work with **Central Government** colleagues (particularly at the DCLG) to enhance our existing joint work and to encourage ministerial involvement. This relationship has been useful where government owned assets are critical for asset rationalisation within local authority areas.

4. We will work with colleagues at the **LGA's Transport and Economy Division** to inform our work with participating councils and to participate in their capacity building programme for local authorities nationally.

5. We will continue our close working relationship with **Local Partnerships** who will work with participating council in the establishment of appropriate joint venture organisations.

6. We will **publicise** our work by liaising with relevant professional organisations and consortia who may offer advice and support to participating councils.

7. We will **encourage** local authorities to explore the opportunities under the government's regeneration initiatives to raise their **local tax base**.

8. Through our programme of work, we will raise the profile of **economic development** as a key activity of local councils.

9. We will encourage local authorities to participate in '**city region**' economic growth activities.

10. We will inform local authorities of the potential **funding** available from central and European sources to fund initiatives which are designed to encourage local economic growth.

11. We will approach central government to provide funds to assist in the delivery of this programme.

The policy environment

The Coalition Government have introduced a growing list of initiatives and powers for councils to encourage economic growth, these include:

- creating **Local Enterprise Partnerships** to bring civic and private sector leaders to drive growth.
- putting **greater financial powers** in the hands of local authorities through business rate retention and new borrowing powers
- creating **24 Enterprise Zones** with the power to use tax increment financing
- providing a new fund to encourage city wide **broadband** connection
- the creation of a **Regional Growth Fund and Growing Places Fund**

- the creation of a fund to assist town centre development
- encouraging councils to consider prudential borrowing to fund economic growth
- encouraging local councils to use European funds to work with the private sector to encourage economic growth
- to increase councils' local tax base by providing financial incentives to encourage local house building.

Doing deals

The Government is particularly willing to engage with local authorities in order to make 'deals' based on the above powers to encourage economic growth. Where appropriate, we will be working with participating councils in order to help negotiate these deals particularly where they involve the rationalisation of assets to promote growth.

Working with the Pathfinder alumni and other cities

We feel it is essential to continue to work with existing CAP authorities in order to assist them to realise the vision of their submitted ten year implementation plans.

We will encourage them to review their plans in the light of the new and emerging legislative framework.

We will encourage them to participate in new CAP wide capacity building activities.

We will monitor their progress and offer assistance where required in order to hasten progress or help overcome barriers.

We will encourage the building of close working relationships with other participating councils in order to maximise learning and reduce costs.

Timing

If you are interested in participating in the programme please contact us. Applications should be in the form of no more than four sides of A4, explaining why your local authority will gain benefit from participating in this programme.

Applications must be received by 15 June 2012. We hope to make a final decision by the beginning of July 2012.

For an informal discussion contact:

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