

BABERGH DISTRICT COUNCIL

FROM: Head of Community
Development

REPORT NUMBER: **G220**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 6 March 2008

LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)

1. PURPOSE OF REPORT

- 1.1 To inform members of the details of the Local Authority Business Growth Incentive (LABGI) scheme, and how it relates to Babergh
- 1.2 To propose criteria for how the LABGI funding should be spent by the Council, and how any bids should be approved

2. RECOMMENDATIONS

- 2.1 That the Committee approves the decision to deploy LABGI resources for new initiatives as set out in paragraph 5.5, and the criteria to guide the use of LABGI funding set out in section 5.6
- 2.2 That the Committee approves the methodology for approving bids for LABGI funding set out in section 5.7

The Committee is able to resolve this matter.

3. FINANCIAL IMPLICATIONS

- 3.1 The Council has transferred income that has been received from the Government's Business Rates Growth scheme (LABGI) to an Earmarked Reserve pending a decision on its use. A total of £310,000 has been received since the scheme commenced in 2005/06.
- 3.2 A sum of £50,000 has already been allocated for additional, temporary, Planning Control staff resources in the 2008/09 Budget, leaving £260,000 for allocation. This was agreed as part of the recent Service and Financial Planning process.
- 3.3 A further final award for 2007/08 under the current scheme is due in Spring 2008. The amount will depend on the criteria and distribution method determined by the Government. No further LABGI awards will be made until 2009/10.

4. RISK MANAGEMENT

- 4.1 The report is most closely linked with Significant Business Risk number 9 – 'Management of major programmes and projects'.

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Approved projects do not contribute to future increases in LABGI receipts	Low – proposed criteria are aimed at increasing business rates revenue	Marginal – LABGI awards are not major contributors to the financing of major programmes	Consistent application of criteria when approving projects and monitoring of impact of the approved projects

5. **KEY INFORMATION**

5.1 The Local Government Act 2003 introduced a number of measures to bring 'new freedoms and flexibilities' to Local Authorities to increase business growth – one of these was the LABGI Scheme, which returns to Local Authorities a proportion of their annual growth in Business Rates, above a predetermined threshold.

5.2 Original guidelines for the Scheme referred to:

- A direct financial incentive to encourage further business growth
- Building of partnerships with business to deliver increased prosperity

There are, however, no regulations on how the funding must be spent as Local Authorities have been given the freedom to decide its own priorities.

5.3 LABGI awards under the Scheme are currently split 35%/65% respectively between County and District / Borough Authorities. The County Council has deployed almost £900,000 of its awards for economic development activities to date, with a further allocation expected. They have also allocated some funding towards meeting LAA targets.

5.4 The government has recently undertaken a review of LABGI that will lead a new scheme that will be phased in from 2009/10, which means there will be a gap year with no new LABGI funding in 2008/09. The new scheme will have clearer guidance on how the income generated must be used.

5.5 The Council has two main options to consider in making the decision on the deployment of LABGI funds – (i) to be used to support current services relating to business growth such as planning, economic development and tourism, or (ii) to be used to support initiatives that will have a call on future Council budgets. It is recommended that the funds be used to support new initiatives for the following reasons:

- The Council has the opportunity to target new resources that will enhance business growth and new jobs by devising appropriate criteria, and the effect can be monitored to ensure success

- These resources can be enhanced by additional external public and private resources to maximise the effect
- The Council is likely to be requested to make contributions to major new initiatives, such as University Campus Suffolk learning centres and Haven Gateway Partnership infrastructure investment that could be partially met from LABGI thus reducing the call on the General Fund.
- Expenditure on existing services could not be matched externally, and would distort budgetary service planning as LABGI funds are 'one-off'.

5.6 If investment of LABGI in new resources is supported it is proposed that a set of criteria are adopted to help guide the use of the council's LABGI funding received up to 2007/08. The proposed criteria are as follows:

The funding should be on projects or activity that meets some or all of the following criteria:

- Directly lead to an increase in future business rate income or provide benefits that could indirectly link to an increase in future business rate income
- Support business growth
- Contribute to Suffolk LAA targets and Babergh's corporate priorities
- Leverage additional external resources to match the LABGI contribution
- Be sustainable and not lead to an increase in revenue costs to the Council
- Promotes, or facilitates, the development of land for employment/business use
- Promotes, or facilitates, the provision of training which develops an individual's employability.
- To consider Crime & Disorder implications of the project

5.7 It is proposed that the following methodology is adopted to authorise projects seeking LABGI resources:

- Development Team officer group to consider bids for LABGI funding. All bids to complete proforma (attached at Appendix A)
- The Corporate Director, in consultation with the Chairman of Strategy Committee, be authorised to approve bids of £5,000 or less for LABGI funding up to a maximum of £50,000 in any single financial year (this is a similar level of officer delegation to that given to Sudbury HERS scheme funding)
- Strategy Committee to authorise all proposed schemes over £5,000 or where the annual maximum delegation of £50,000 has been exceeded
- Overview & Scrutiny (Community Services) committee, on an annual basis, to be advised of the bids that have been approved, their impact, and to consider if any changes to the approved criteria should be made

5.8 All approved projects will be evaluated at the end by the officer that submitted the application. Details of these evaluations will be provided as part of the annual report to Overview & Scrutiny (Community Services) committee.

6. **APPENDICES**

(a) Appendix A – Proforma LABGI bid form

7. **BACKGROUND PAPERS REFERRED TO:**

None.

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Draft LABGI funding bid form

Officer	
Division	
Date	

Title of project/scheme

Details of project scheme

Total funding sought	
Start date	
End date	

Details of how project meets some or all of the following criteria:

1. Directly or indirectly lead to an increase in future business rate income

2. Support business growth

3. Contribute to Suffolk LAA targets and/or community Strategy targets, and Babergh's corporate priorities

4. Leverage additional external resources to match the LABGI contribution

5. Be sustainable and not lead to an increase in revenue costs to the Council

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6. Promotes, or facilitates, the development of land for employment/ business use or maximises use of existing employment premises stock

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7. Promotes, or facilitates, the provision of training which develops an individual's employability.

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8. To consider the Crime & Disorder Implications of the project

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Approvals:

- All requests to be considered by Development Team using this form
- Projects less than £50,000 approved by to Corporate Director & Chair of Strategy
- Projects more than £50,000 approved by Strategy Committee

End of project evaluation

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Evaluation by:

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