

Cabinet – 22 March 2006

Local Authority Business Growth Incentive (LABGI)

Portfolio: Councillor Adrian Andrew, Regeneration

Service Area: Regeneration

Wards: All

Forward Plan: No

Summary of report

The Local Authority Business Growth Incentive (LABGI) was announced in the Chancellor's Pre-Budget Report in 2002 and came into effect from 1 April 2005, as part of the Government's aim to make changes to the business rates systems.

LABGI is initially a 3 year initiative, which essentially allows Local Authorities to retain a proportion of new business rate generation within a defined framework of thresholds and ceilings, for investment in a range of locally defined priorities.

The use of LABGI funding is not ring fenced. Government guidance state it is for local authorities to decide how the reward is spent, but they specifically state that "Every local authority now has a direct incentive to promote enterprise, employment and the growth of SMEs in the local community and the freedom to influence local outcomes" .

In line with the Council's policy led, medium term budget approach it is proposed to reinvest a significant proportion of LABGI in creating the environment for further business and economic growth. Any future business growth will stimulate increased business rates and therefore will potentially assist in generating LABGI awards in future years.

It is proposed to largely align LABGI to priorities within Walsall's newly signed Local Area Agreement (LAA), specifically in relation to the Enterprise and Economic Development block and in other key strategic priorities.

A detailed LABGI implementation plan will be progressed within a framework for investment, incorporating key themes, which is outlined at **Appendix 1**.

Recommendations

That,

- (1) The award received under the Local Authority Business Growth Incentive (LABGI) for the financial year 2005/06 is noted.

- (2) The framework for investment through LABGI outlined in **Appendix 1** of this report be endorsed, as the basis for the development of a detailed LABGI implementation programme.
- (3) A detailed LABGI implementation plan and performance management framework be submitted to the next Cabinet meeting for consideration.
- (4) The Regeneration, Environment, Housing and Community Safety Scrutiny and Performance Panel, be invited to propose their priorities for LABGI in the context of the framework in **Appendix 1**.

Resource and legal considerations

The amount of LABGI that each authority can receive is determined by applying a complex formula. LABGI is paid as a single payment to each local authority in the final quarter of each financial year. The maximum ceiling that has been set is based on 3% of the current years Environmental Protection and Cultural Services (EPCS) Formula Spending Share (FSS). In future years, the formula for calculating LABGI remains the same but the ceiling is increased to 6% of the EPCS FSS for 2006/07 and 9% for 2007/08.

On 8 February 2006, Walsall Council received notification that it would receive £1,504,602.51 for 2005/06 – the 9th highest in the UK. In addition a further award was announced on 28 February 2006 of £104,987. This gives a total of £1,609,580 to invest in agreed activities.

Whilst this is the first award of potentially a 3 year programme, it is difficult to anticipate what if anything Walsall might receive in future years or if Government will consider different allocation criteria. Therefore it is felt prudent to consider this year's award as a one off windfall. Consequently any other proposals will need to be costed on a 'whole life' basis and will need clear exit strategies in the event further funding is not forthcoming. An assessment about the future anticipated levels of LABGI which might be available in future years will need to be considered as part of the Council's future budget setting process and officers will seek further clarification from government office.

The Council's medium term financial strategy has eight key objectives within which our finances are planned and managed. These apply to all aspects of financial activity, including the mainstream budget and the use of other sources of income such as LABGI. The first two of the eight objectives that are particularly relevant in relation to LABGI are to ensure that:

1. Our financial planning and management contributes to the transformation, development and improvement of the organisation through policy-led resource allocation, the use of options appraisal, income maximisation, and the creation of headroom through savings and efficiency.
2. Our budget is set to enable delivery of the Council's defined priorities, ensuring that resources are allocated according to the corporate vision, aims, objectives and pledges.

Citizen Impact

The proposals that will be developed through LABGI will aim to help improve the strength of the local economy. This will help to both safeguard existing employment and also create the environment to create new employment opportunities for local citizens.

Community safety

Specific proposals potentially promoted through LABGI will help to improve security in our key centres and areas, which will benefit businesses, their employees and customers.

Environmental impact

Specific proposals potentially progressed through LABGI aim to significantly promote the sustainable development of the Borough and more environmentally friendly business practices.

Performance and risk management issues

It is essential that a robust performance management approach is applied to the use of LABGI funding, to ensure its impact can be effectively assessed and to help inform future priorities under the initiative. This will link to the performance management arrangements being developed for the LAA which in turn link directly to the Council's own robust performance management processes.

Equality implications

The proposals progressed through LABGI aim to open up new economic opportunities for our diverse communities and will also look to unlock the economic potential of the wider community.

Consultation

It is proposed that the majority of LABGI investment is aligned to established priorities that are defined in the corporate plan, service plans and the key outcomes within the LAA. All of these have been the subject of widespread consultation and engagement with key partners and stakeholders.

In developing the detailed proposals further consultations will be carried out with key partners, largely through the new Partnership for Walsall Enterprise and Regeneration (PoWER) which has responsibility for the delivery of the economic and economic development block of the LAA. In addition particular emphasis will need to be placed on engaging and communicating with businesses and business representative organisations about how LABGI can be effectively utilised to stimulate future growth.

Vision 2008

The investments that will be implemented through the use of LAGB aim to deliver some of the defined priorities within Vision 2008, most specifically in relation to building and sustaining a strong local economy.

Background papers

Various forms of ODPM guidance on the LABGI.

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Date: 13.03.06

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Portfolio Holder:
Councillor A Andrew

Date: 13.03.06

Framework for LABGI investment

It is envisaged that proposals within the emerging LABGI implementation plan will be developed in the context of addressing the following key themes:

- Ensuring proposals align to key priorities within Vision 2008, the Community Plan and our Local Area Agreement.
- Improving the competitiveness of Walsall as a location – for existing businesses and new investors
- Stimulating and supporting enterprise and new business growth – particularly in sectors and areas that display potential or display specific challenges
- Enhancing the role of Walsall in the wider region and sub-region.
- Improving our town and district centres – as focal points of the community and as key drivers of the local economy.
- Raising the aspirations of our citizens – particularly our young people
- Promoting positive and creative ways to engage our communities
- Promoting environmental sustainability within the Borough
- Enhancing Walsall Council's business friendly approach within the context of our strategic transformation approach