

## **DRAFT RESPONSE**

### **REFORMING THE LOCAL AUTHORITY BUSINESS GROWTH INCENTIVES SCHEME – CONSULTATION PAPER**

**1. Which other local authorities, if any, do you regard as being in the same sub-region as yours for the purposes of cooperation in economic development?**

Within the North West there is a well-defined set of sub-regions based on County boundaries which form the geographic building blocks of the Regional Economic Strategy. In the case of Lancashire, the sub-regional partnership comprises Lancashire County Council, the two unitary authorities of Blackburn and Blackpool and the 12 District Councils including Lancaster City Council. This partnership has an Economic Strategy which relates directly to the Regional Economic Strategy. However, it is also recognised that the sub-region comprises five sub-areas, each with their own economic footprint and with varying economic performance.

Lancaster District is recognised as a separate sub-area in its own right, with a distinct economic geography, and a relatively self-contained labour market with low levels of commuting with neighbouring areas. Its economic structure and performance has differed markedly from other areas within Lancashire. Whilst there are, of course, linkages to the wider sub-regional and regional economies, economic growth within the District is largely dependent on local factors and especially the performance of local employers - economic inter-dependencies with neighbouring areas are relatively weak. One consequence of this is that the City Council does not generally have firm cooperation arrangements with neighbouring authorities for joint economic development activity, although it is part of the Lancashire Local Area Agreement. It is also worth noting that, in a number of respects, Lancaster District has commonalities with neighbouring South Lakeland which is in Cumbria, a wholly separate NUTS2 area. Therefore, we do not feel that there is an economic justification to view Lancaster District as part of the Lancashire NUTS2 sub-regional grouping for LABGI purposes. Our preference is that it should constitute a qualifying area in its own right.

**2. Do you agree that London should be regarded as a single sub-region for the purposes of the scheme?**

No comment.

**3. Do you agree that where local authorities outside London cannot agree on a sub-regional grouping which meets the above criteria, the scheme should be broadly based on NUTS2 groupings, with the possibility of variation where the case for doing so can be made?**

We believe that the main basis for any groupings should be grounded in recognised economic footprints. In many cases the use of NUTS2 boundaries may be appropriate. However, in Lancashire this is not the case. The economic performance of Lancaster District, as noted above, is quite distinct from that of Lancashire and we do not consider the application of the NUTS2 definition to be an appropriate base from which LABGI funding should be determined.

**4. Would you prefer the Government to proceed directly to publish a final list of sub-regions, following discussion after this consultation; or to publish a provisional list for comment first?**

In view of our concerns that the sub-regions identified should reflect meaningful economic geographies, our preference would be for the Government to publish a provisional list of sub-regions for further comment.

**5. Do you agree with the calculation process?**

Yes, this measurement meets the objective of a simple, transparent and easily understood calculation process. It also mirrors the current process of redistribution from the pool i.e. pro-rata to populations.

**6. Do you have any comments on the calculation process?**

Disagree that two thirds of the amount should be distributed to the County Council. This is not a true reflection of their contribution to economic growth within each district.

**7. Do you agree that there should be no minimum or maximum awards, at least at the outset of the scheme?**

Yes, they can be a disincentive.

**8. Do you agree that the Reward Period should be set at 3 years' growth?**

Lancaster can suffer over a shorter period (such as one year) for any changes on the RV of the power stations. There has been a trend over the last couple of years for the RV's to be reduced for short periods to accommodate temporary shutdowns, but is then increased several months later. A longer reward period would mean such actions have a lesser effect on the overall RV.

**9. If not, what other reward period should be adopted in the new scheme?**

A three-year period seems a sensible and equitable time period.

**10. Do you agree with the proposed division of reward between district and county councils?**

We are fundamentally opposed to the proposed division. As stated in our response to the initial LABGI consultation, in our own experience the City Council has been the prime mover of direct economic development within the District. In recent years this has included the management of programmes (SRB, ERDF, Neighbourhood Management), wide-ranging regeneration activity (including development of business sites and premises) and business support. Local economic growth is also linked to other functions such as Planning where the approach at District level has a marked impact on levels of economic growth. Furthermore, under the Local Development Framework, it is the lower tier authorities which set the planning framework and which determines the context for economic development.

This is not to ignore the significant impact that the County Council functions can have, especially in relation to transport matters, and their support for economic development. However, these tend to be from a wider strategic perspective. Local economic/regeneration strategy now tends to be driven locally through Local Strategic Partnership structures (which include the County Council) and we therefore believe that the main LABGI revenues from economic growth should accrue locally and the application of those revenues should be determined locally.

We would urge DCLG to maintain the division previously applied with districts in two-tier areas receiving about 65% of the reward for an area.

**11. Do you agree that the scheme should be based on the Contribution to the Pool, without any adjustment for reliefs?**

Yes – the Local Authority has little control or influence on the numbers of properties/businesses that qualify for these reliefs, therefore to adjust for them would not represent a true reflection of the L.A.'s performance in terms of economic growth.

**12. If not, which factors do you think should be reflected by adjusting the Contribution to the Pool?**

None – the only true reflection of economic growth is the gross contribution i.e. total R.V times multiplier.

**13. Do you agree that, in calculating NNDR contributions for the purposes of this scheme, we should take actual yield as shown in Line 14 of Part 1 of the NNDR3 form (i.e. after the application of transitional relief)?**

Line 14 of the 2006-07 NNDR 3 is net yield after the deduction of all reliefs, not just transitional relief, as well as allowance for cost of collection, losses in collection and interest, which is contrary to the intentions set out in the consultation document.

However, as stated in the document, transitional relief is meant as a cushion for the ratepayers and should therefore not form part of a calculation of yield for the purposes of LABGI. It bears no relation to the reward and allocation of cash sums for economic growth in a region.

**14. If not, what would you propose?**

What should be used is Line 1(i) Part II which is Gross Rates Payable (i.e. Total RV times multiplier).

**15. Do you agree that we should not seek, for the purposes of the scheme, to neutralise the impact of appeals on local authorities' contributions to the NNDR pool?**

Yes

**16. If not, what would you propose?**

N/A

**17. What are your views on the handling of revaluations?**

Agree with the proposals not to adjust the scheme for a revaluation. The assessment of rateable values is meant to reflect the economic conditions of the market place (i.e. rents). Areas of true economic growth should therefore be no more adversely affected by a revaluation than would be applicable due to normal countrywide conditions.

**18. Do you agree that we should not make adjustments for cross-boundary transfers or for transfers between the central list and local lists?**

Such a proposal could have an adverse affect on Lancaster and therefore its sub-region due to the two power stations should they be transferred back into the central list. Particularly if Lancaster were to be classed as a qualifying area in its own right. The amounts payable by the Power Stations currently equate to 22.3% of our gross rates payable, and 18.5% of our overall RV.

**19. If not, what would you propose?**

That central to local list adjustments such be factored out of the calculation. They would be easily identifiable and to remove them from one list to another would be a decision beyond an L.A's control.

Agree with the proposal in relation to cross-boundary hereditaments as in most cases the two authorities concerned would be in the same sub-region grouping.

**20. Do you have comments on the approach we propose where an audited NNDR3 form is not available?**

None – agree with the proposals.