

# COUNCIL BUSINESS COMMITTEE

## Local Authority Business Growth Incentive Scheme Consultation Response

13 November 2008

### Joint report of Corporate Director (Regeneration) and Corporate Director (Finance and Performance)

<b>PURPOSE OF REPORT</b>			
To seek Committee's approval to the draft response to the consultation on changes to the Local Authority Business Growth Incentive Scheme (LABGI).			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>
		Referral from Cabinet Member	<input type="checkbox"/>
Date Included in Forward Plan	N/A		
This report is public			

#### RECOMMENDATIONS

That the Committee approves the draft response to the consultation attached as *Appendix A*.

#### REPORT

##### 1 INTRODUCTION

- 1.1 The Government is consulting councils on its proposals to reform the Local Authority Business Growth Incentive Scheme (LAGBI) as from 2009/10. Responses are requested by 20 November 2008.
- 1.2 LAGBI has been in place for the last three years and ended in March 2008. Since then the Government has been developing with councils a revised, smaller scheme and is now consulting with councils.
- 1.3 The scheme is designed to reward local authorities for encouraging local economic and business growth by way of grants.

Lancaster has been very successful to date in delivering this growth and this has been rewarded as follows:

2005/06	£196,000
2006/07	£491,000
2007/08	£1,012,000

- 1.4 In the latest Comprehensive Spending Review Government announced that grant funding would be significantly reduced for the remaining period of the three year review. In particular funds for 2009/10 are proposed at £50 million, with £100 million for 2010/11. This level of funding is greatly reduced from the levels of grant set aside previously, i.e. £1 billion for the three year period 2005/06 to 2007/08.
- 1.5 The Government has further indicated that after 2010/11, LAGBI will be mainstreamed as a permanent part of the local government finance system but will be subject to decisions within future government spending reviews.
- 1.6 The revised proposed scheme, is set out in the attached consultation paper (**Appendix B**) which reflects the responses received so far by the Government following the earlier consultation exercise undertaken in respect of its paper "Building better incentives for local economic growth".
- 1.7 Officers have now considered the proposed scheme and have drafted the attached paper (**Appendix A**) for members consideration.
- 1.8 In particular it is felt that Lancaster would be better served if it could be recognised as its own separate sub area rather than being part of the proposed Lancashire grouping (questions 1 to 4).
- 1.9 Secondly the draft response challenges the method of calculating reward grant which would see the County Council receiving two thirds of the amount distributed. Officers believe that this is not a true reflection of their contribution to economic growth within each district.

## 2 **OPTIONS ANALYSIS**

### 2.1 Option 1

To approve the draft response as written.

### 2.2 Option 2

To approve an amended response.

## 3 **PREFERRED OPTION**

- 3.1 The officers preferred option is option 1. This sets out a realistic appraisal of the issues that reflect this council and offers views for improvements to the proposed scheme.

## 4 **CONCLUSION**

Members are asked to consider the attached draft response with a view to agreeing a version that can be submitted in the agreed timetable.

**RELATIONSHIP TO POLICY FRAMEWORK**

LABGI grants have been used to suppose the Council's Capital Programme, in particular its Regeneration Strategy.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability etc)**

None arising from this consultation response.

**FINANCIAL IMPLICATIONS**

The Council has not included any future allocations of LABGI in its Medium Term Financial Strategy.

**SECTION 151 OFFICER'S COMMENTS**

The Deputy Section 151 Officer has been consulted and has no comments to add.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no comments to add.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

**BACKGROUND PAPERS**

None.

**Contact Officer:** Roger Muckle / Heather McManus

**Telephone:** 01524 582022

**E-mail:** rmuckle@lancaster.gov.uk