

Report to the Cabinet

Report reference: C/136/2006-07.

Date of meeting: 16 April 2007.



**Epping Forest
District Council**

Portfolio: Finance and Performance Management.

Subject: Local Authority Business Growth Incentive Scheme.

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Recommendations/Decisions Required:

- (1) To note the content of this report and the changes that has been made to the Scheme;**
- (2) To confirm that income from the Local Authority Business Growth Incentive Scheme should be credited to the District Development Fund; and**
- (3) To recommend to the Council that £25,000 of the additional funding received be allocated to a programme of minor enhancement works in Waltham Abbey.**

Report:

1. The Department for Communities and Local Government (DCLG) has announced details for the second year of the Local Authorities Business Growth Incentive Scheme (LABGI). This report will briefly remind Members of the policy context of the scheme and how it works.

Policy Context of the Scheme:

2. The current Local Government finance structure does not fully recognise or reward local authorities' contribution to economic growth. Local authorities bear many of the costs of economic development although they do not benefit from the increased revenues it generates. Since 1990, business rates revenues have been paid into a central pool so that local authorities get no direct individual or local benefit.

3. LABGI gives local authorities a direct financial incentive to encourage business in their areas, by allowing them to retain a proportion of revenues created by increasing business growth above a predetermined floor.

How the Scheme Works:

4. Business growth is measured in terms of the increase in a local authority's rateable value during a calendar year. It is based on actual changes to rateable values in the previous calendar year, provided by the Valuation Office Agency (VOA).

5. Each authority has a target level of growth in rateable value that must be reached to benefit from LABGI, known as the floor. The floor level is calculated using historic growth figures.

6. At the end of the second year the VOA provided the ODPM with a new list of rateable values as at 31 December 2006 (gross of appeals, and net of empty property reliefs). These were compared to the starting list (from 31 December 2005) to calculate growth rates. A

scaling factor of 70% was applied to the growth achieved. In two-tier authorities, LABGI revenues are shared out with 64% going to the District Councils and 36% to the County Council.

LABGI Revenue:

7. In year one of the scheme the Council received £475,518 in LABGI revenue. For year two, the amount received has risen to £802,925. This increase is due to the fact that the calculation for year two retained the majority of the growth achieved in year one. This added to the continued increase in the rateable value within the district led to the higher level of LABGI income achieved. The scheme will operate for a third year but the possibility of amendments to the terms of the scheme by the DCLG cannot be ruled out.

8. In setting the budget for 2007/08 a prudent view was taken on the likely amount of LABGI income. The £802,925 that will now be received for 2006/07 is £302,925 more than the budgeted £500,000. For 2007/08 £200,000 of income has been budgeted and subject to any changes the DCLG now makes to the scheme this figure may also be exceeded.

9. Given the limited life of LABGI, and in line with the previous decision of Cabinet (19 December 2005, minute 128), it is recommended that LABGI income be credited to the District Development Fund (DDF). One of the published principles of the scheme is "that the scheme will give local authorities additional revenue to spend on their own priorities". This has been re-confirmed by the DCLG in their latest statement "As in year 1, LABGI grant is entirely additional to the local government finance settlement and local authorities are free to spend the grant however they wish". As Members allocate DDF funding amongst competing bids from the different Portfolios it is clear that DDF monies are spent on this Council's own priorities.

10. The Portfolio Holder for Planning and Economic Development has been approached by Waltham Abbey Town Council and Members of this Council who represent Waltham Abbey requesting a programme of minor enhancement works. These works include visually attractive railings to replace vandalised fencing, installation of CCTV at the Cornmill car park and landscaping improvements to the front and side of the Abbey churchyard and in total can be contained within a limit of £25,000. As these works may assist in promoting economic development in Waltham Abbey Members may feel it appropriate to allocate some of the additional LABGI income for this purpose.

Statement in Support of Recommended Action:

11. As the scheme has a stated life of three years it would be entirely inappropriate to include the income in the Continuing Service Budgets.

Other Options for Action:

12. Members could "ring fence" some of the income for spending on economic development, or indeed any other spending priority.

Consultation Undertaken:

13. Waltham Abbey Town Council.

Resource Implications:

Budget provision: The estimates for LABGI income to the DDF are 2006/07 £500,000 and £200,000 for 2007/08.

Personnel: None.

Land: None.

Community Plan/BVPP reference: N/A.

Relevant statutory powers: N/A.

Background papers: None.

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision reference (if required): N/A.