

**LOCAL AUTHORITY BUSINESS GROWTH INCENTIVES SCHEMES**

**EXECUTIVE MEMBER:** Cllr Cath Giel  
**LEAD OFFICER:** Mike Tichford  
**REPORT AUTHOR:** Graham McWilliam

**Summary:** The report provides details of the Local Authority Business Growth Incentives Scheme and proposes a range of initiatives to utilise the funding to the benefit of the Copeland economy.

<b>Recommendation:</b>	Members are requested to approve the draft programme, subject to further details being provided to the August meeting of The Executive.
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**Impact on delivering the Corporate Plan:** The funding received from the “LABGI” scheme will be used to support The Council’s objective to create and sustain a healthy local economy.

**Impact on other statutory objectives (e.g. crime & disorder, LA21):** None

**Financial and human resource implications:** The total funding of £161k from the scheme has been received by The Council, in February 2006.

This proposal is 100% funded and has no impact on the Council’s own finances.

**Project & Risk Management:** None

**Key Decision Status**

- **Financial:** N/A  
- **Ward:** N/A

**Other Ward Implications:** None

**1. INTRODUCTION**

- 1.1 The scheme allows local authorities to retain a share of increased business rates revenue generated in their area. By creating a direct financial incentive for local authorities to encourage business growth in their locality, LABGI provides the opportunity for local government and business to work together to deliver economic success and prosperity to their local community.
- 1.2 In their consultations The Government have set out five principles for the scheme, which they remain committed to:
  - that the scheme should give all local authorities an incentive to maximise local economic growth;

- that the scheme will give local authorities additional revenues to spend on their own priorities;
- that the incentive should be consistent with Government aims for growth in all regions of the country and reductions in the persistent gap in performance between regions;
- that the distribution of benefits must be fair, reflecting relative performance not relative circumstances; and
- that the scheme should be as intelligible and transparent as possible.

## **2. ARGUMENT**

- 2.1 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 rate revenues have been paid into a central pool so that local authorities get no direct individual or local benefit.
- 2.2 LABGI will give 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.
- 2.3 The scheme puts in place the right incentives for local government to work towards and promote economic growth. This will encourage local government to build effective partnerships with local business to deliver increased prosperity and long-term economic sustainability of its area.
- 2.4 Local authorities stand to gain up to £1billion in England and Wales over three years – this is genuinely additional and unringfenced. At the end of the first year, the scheme will be reviewed in light of recommendations from the Lyons Inquiry and the performance against the schemes underlying principles of fairness and incentive.
- 2.5 Following the announcement of the scheme in the Chancellor's 2002 Pre-Budget Report, a consultation was held on the principles of LABGI in 2003. Volunteer local authorities participated in a dry-run exercise to test the administration of the scheme, shortly followed by a second consultation on the technicalities, which ended in October 2004.

## **3. OPTIONS TO BE CONSIDERED**

- 3.1 The Economic and Tourism Development Team have developed a draft programme of initiatives, to utilise the 'LABGI' funding, for the benefit of the Copeland business community.
- 3.2 The draft programme is attached as Appendix A, to the report.
- 3.3 If members are minded to support the draft programme, The Economic and Tourism Development team will work up the initiatives, with partners and report further to a future meeting of The Executive.

## **4 CONCLUSIONS**

- 4.1 The scheme puts in place the right incentives for local government to work with local business and promote economic growth in its area. This will encourage local government to build effective partnerships with local business, to help deliver increased prosperity and to build long-term economic sustainability for its locality. Local authorities stand to gain up to £1billion in England and Wales over three years.

- 4.2 The scheme will be reviewed following the first year to test both how it is delivering against the design principles the government set out and which were agreed in consultation and the level of spend from the scheme.

## **List of Appendices**

[Appendix A – Draft Programme of Initiatives](#)

**List of Background Documents:** News release from Department For Communities and Local Government Date 21/07/2005

**List of Consultees:** ODPM note to Local Authorities on the 'LABGI' scheme dated July 2005

**Corporate Team  
Councillor Cath Giel**